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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of the Circular or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand the Circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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The Circular is for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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## EMINENCE ENTERPRISE LIMITED 高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

### (1) PROPOSED SHARE CONSOLIDATION; (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD AT THE RECORD DATE; AND (3) NOTICE OF SPECIAL GENERAL MEETING

Underwriters of the Rights Issue



結好證券有限公司  
GET NICE SECURITIES LIMITED

Independent Financial Adviser to the Independent EE Board Committee  
and the Independent EE Shareholders



紅日資本有限公司  
RED SUN CAPITAL LIMITED

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Capitalised terms used in this cover page shall have the same meanings as those defined in the Circular. A letter from the EE Board is set out on pages 12 to 39 of the Circular.

A letter from the Independent EE Board Committee containing its recommendations to the Independent EE Shareholders is set out on page 40 of the Circular.

A letter from Red Sun Capital Limited, the Independent Financial Adviser to the Independent EE Board Committee and the Independent EE Shareholders, containing its advice in respect of the Rights Issue and the transactions contemplated thereunder is set out on pages 41 to 65 of the Circular.

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 6 January 2020 at 9:00 a.m. is set out on pages N-1 to N-4 of the Circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and, in such case, the form of proxy shall be deemed to be revoked.

The Consolidated Shares will be dealt in on an ex-rights basis from Thursday, 9 January 2020. Dealings in the Rights Shares in their nil-paid form are expected to take place from 9:00 a.m. on Monday, 20 January 2020 to 4:10 p.m. on Wednesday, 29 January 2020 (both dates inclusive). It is expected that the conditions referred to in the section headed "Termination of the Underwriting Agreement" in the Circular will be fulfilled on or before 4:00 p.m. on Tuesday, 4 February 2020. If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall terminate and the Rights Issue will not proceed. Any person contemplating buying or selling EE Shares or Consolidated Shares (as the case may be) from the date of the Circular up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form from 9:00 a.m. on Monday, 20 January 2020 to 4:10 p.m. on Wednesday, 29 January 2020 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealings in the EE Shares, the Consolidated Shares and/or the Rights Shares in their nil-paid form is recommended to consult his/her/its/their own professional adviser.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Settlement Date to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are summarised in the section headed "Termination of the Underwriting Agreement" on page 11 of the Circular.

Upon the delivery of the notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and terminate and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter certain expenses in connection with the Rights Issue. If the Underwriter exercises such right, the Rights Issue will not proceed.

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## EXPECTED TIMETABLE

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The expected timetable for the Share Consolidation and the Rights Issue is set out below:

<b>Event</b>	<b>2019/2020 (Hong Kong time)</b>
Latest time for lodging share transfer documents to qualify for attendance and voting at the SGM of the Company .....	4:30 p.m. on Monday, 30 December 2019
Closure of register of members of the Company .....	From Tuesday, 31 December 2019 to Monday, 6 January 2020 (both dates inclusive)
	<b>2020 (Hong Kong time)</b>
Latest date for lodging proxy forms for the SGM of the Company .....	9:00 a.m. on Saturday, 4 January
Date and time of the SGM of the Company .....	9:00 a.m. on Monday, 6 January
Release of the SGM results announcement of the Company .....	Monday, 6 January
Effective date for the Share Consolidation .....	Wednesday, 8 January
Commencement of dealings in the Consolidated Shares .....	9:00 a.m. on Wednesday, 8 January
Original counter for trading in existing share certificates in board lots of 5,000 EE Shares temporarily closes .....	9:00 a.m. on Wednesday, 8 January
Temporary counter for trading in Consolidated Shares in board lots of 250 Consolidated Shares (in the form of existing share certificates) opens .....	9:00 a.m. on Wednesday, 8 January
First day of free exchange of existing share certificates for EE Shares into new share certificates for Consolidated Shares .....	9:00 a.m. on Wednesday, 8 January
Last day of dealings in Consolidated Shares on a cum-rights basis .....	9:00 a.m. on Wednesday, 8 January

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## EXPECTED TIMETABLE

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**2020**  
**(Hong Kong time)**

First day of dealings in Consolidated Shares on an ex-rights basis . . . . .	9:00 a.m. on Thursday, 9 January
Latest time for the EE Shareholders to lodge transfers of Consolidated Shares in order to qualify for the Rights Issue. . . . .	4:30 p.m. on Friday, 10 January
Closure of register of members of the Company . . . . .	From Monday, 13 January to Wednesday, 15 January (both dates inclusive)
Record date and time. . . . .	4:00 p.m. on Wednesday, 15 January
Register of members of the Company re-opens . . . . .	Thursday, 16 January
Despatch of Prospectus Documents. . . . .	Thursday, 16 January
First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m. on Monday, 20 January
Latest time for splitting nil-paid Rights Shares . . . . .	4:30 p.m. on Wednesday, 22 January
Designated broker starts to stand in the market to provide matching services for odd lots of Consolidated Shares. . . . .	9:00 a.m. on Wednesday, 22 January
Original counter for trading in Consolidated Shares in new board lots of 5,000 Consolidated Shares (in the form of new share certificates) re-opens. . . . .	9:00 a.m. on Wednesday, 22 January
Parallel trading in Consolidated Shares (in the form of both existing share certificates in board lots of 250 Consolidated Shares and new share certificates in board lots of 5,000 Consolidated Shares) commences . . . . .	9:00 a.m. on Wednesday, 22 January
Last day of dealings in nil-paid Rights Shares. . . . .	4:10 p.m. on Wednesday, 29 January

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## EXPECTED TIMETABLE

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**2020**  
**(Hong Kong time)**

Latest time for the acceptance of, and payment for, the Rights Shares and the application for excess Rights Shares . . . . .	4:00 p.m. on Monday, 3 February
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional. . . . .	4:00 p.m. on Tuesday, 4 February
Announcement of the results of the Rights Issue . . . . .	Monday, 10 February
Refund cheques despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares . . . . .	Tuesday, 11 February
Certificates for fully-paid Rights Shares to be despatched. . . . .	Tuesday, 11 February
Commencement of dealings in fully-paid Rights Shares . . . . .	9:00 a.m. on Wednesday, 12 February
Temporary counter for trading in board lots of 250 Consolidated Shares (in the form of existing share certificates) closes. . . . .	4:10 p.m. on Thursday, 13 February
Parallel trading in the Consolidated Shares (in the form of new and existing share certificates) ends. . . . .	4:10 p.m. on Thursday, 13 February
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares . . . . .	4:10 p.m. on Thursday, 13 February
Last day of free exchange of certificates for EE Shares into new certificates for Consolidated Shares. . . . .	Monday, 17 February

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## EXPECTED TIMETABLE

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*Notes:*

- (i) Dates specified in the Circular refer to Hong Kong local time and are indicative only and may be varied by agreement between the Company and the Underwriter. The EE Shareholders will be notified of any change to the expected timetable as and when necessary.
- (ii) The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares may be amended if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:
  - (1) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares. In that case the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
  - (2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares. In that case the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the next following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares is amended, the dates mentioned above may be affected. The Company will notify the EE Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## DEFINITIONS

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*In the Circular, unless the context otherwise requires, the following expressions have the meanings as set out below:*

“Acceptance Time”	4:00 p.m. on Monday, 3 February 2020 (or such other time or date as the Underwriter may agree in writing with the Company as the latest time and date for acceptance of, and payment for, Rights Shares)
“Announcement”	the announcement of the Company dated 6 November 2019 (as supplemented by a further announcement dated 18 November 2019) relating to, among other things, the Share Consolidation and the Rights Issue
“associate(s)”	the meaning ascribed thereto under the Listing Rules
“Business Day(s)”	a day (other than a Saturday and Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon) on which banks are open for business in Hong Kong
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	this circular of the Company containing, amongst other things, further details regarding the Share Consolidation and Rights Issue and transactions contemplated thereunder, and notice of the SGM
“Company”	Eminence Enterprise Limited (Stock Code: 616), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of par value HK\$0.20 each in the share capital of the Company immediately after the Share Consolidation becomes effective
“Convertible Notes”	the Goodco Convertible Notes and the Madian Star Convertible Note
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“Easyknit”	Easyknit International Holdings Limited (Stock Code: 1218), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of Stock Exchange

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## DEFINITIONS

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“EE Board”	the board of EE Directors
“EE Director(s)”	director(s) of the Company
“EE Group”	the Company and its subsidiaries
“EE Shareholder(s)”	holder(s) of EE Share(s)
“EE Shares”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company before the Share Consolidation becomes effective
“Fung Wah Factorial Building”	an industrial building at Nos. 646, 648, 648A Castle Peak Road, Kowloon, Hong Kong of which the Group owns 90.83% (details of which could be found in the IR Report, announcement of the Company dated 6 September 2019 and circulars of the Company dated 14 September 2015, 15 July 2016, 15 September 2016, 29 September 2017 and 4 January 2018 respectively)
“Goodco”	Goodco Development Limited, a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of Easyknit, and a substantial shareholder of the Company
“Goodco Convertible Notes”	<p>the 3% per annum coupon rate convertible notes issued by the Company to Goodco:</p> <p>on 11 May 2017 in the principal amount of HK\$16,000,000 conferring rights to convert at any time before 11 May 2022 the principal amount into EE Shares on the basis of a conversion price that is at present HK\$0.16 per EE Share which the outstanding amount is HK\$16,000,000;</p> <p>on 26 September 2017 in the aggregate principal amount of HK\$28,200,000 conferring rights to convert at any time before 26 September 2020 the principal amount into EE Shares on the basis of a conversion price that is at present HK0.06 per EE Share, of which the outstanding amount is HK\$11,280,000; and</p> <p>on 28 August 2019 in the principal amount of HK\$70,000,000 conferring rights to convert at any time before 28 August 2024 the principal amount into EE Shares on the basis of the conversion price that is at present HK0.055 per EE Share, of which the outstanding amount is HK\$70,000,000</p>
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited



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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huzhou Properties”	the properties located at No. 108 of Dongliang Road, Zhili Town, Wuxing District, Huzhou City, Zhejiang Province of the PRC (details of which could be found in the IR Report)
“Independent EE Board Committee”	the independent board committee of the EE Board, comprising of Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, being all the independent non-executive EE Directors, established for the purpose of, among other things, advising the Independent EE Shareholders in respect of the Rights Issue and transactions contemplated thereunder
“Independent EE Shareholders”	the EE Shareholders, other than those who are required under the Listing Rules to abstain from voting at the SGM
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent EE Board Committee and the Independent EE Shareholders relating to the Rights Issue and transactions contemplated thereunder
“IR Report”	the interim report of the Company published on 12 December 2019
“Kennedy Town Properties”	the properties at Nos. 1B, 1C, 1D, and 1E Davis Street, Kennedy Town, Hong Kong
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of Easyknit and a shareholder of the Company
“Last Trading Day”	Monday, 4 November 2019, being the last trading day for the EE Shares on the Stock Exchange prior to the date of the Announcement
“Latest Practicable Date”	Friday, 13 December 2019, being the latest practicable date prior to printing of the Circular for the purpose of ascertaining certain information contained herein
“Latest Time for Termination of the Underwriting Agreement”	4:00 p.m. on Tuesday, 4 February 2020, or such other time as may be agreed between the Company and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Madian Star”	Madian Star Limited, a holder of EE Shares and of the Madian Star Convertible Note, an investment holding company incorporated in the BVI with limited liability
“Madian Star Convertible Note”	the 3% per annum coupon rate convertible note issued by the Company to Madian Star on 12 June 2015 in the aggregate principal amount of HK\$86,000,000 conferring rights to convert at any time before 12 June 2022 the principal amount into EE Shares on the basis of a conversion price that is at present HK\$0.06 per EE Share, of which the outstanding amount is HK\$40,400,000
“Matheson Street Project”	a redevelopment project of the site at Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong which is 100% owned by the Group (details of which could be found in the announcements of the Company dated 3 July 2009, 22 August 2017 and 29 September 2017 respectively and circulars of the Company dated 24 July 2009, 12 September 2017 and 29 September 2017 respectively and the IR Report)
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) (if any) in respect of whom the EE Directors, based on legal opinions to be provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Issue
“Posting Date”	Thursday, 16 January 2020 or such other day as may be agreed between the Company and the Underwriter, as the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PALs and the EAFs
“Qualifying Shareholder(s)”	the EE Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date

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## DEFINITIONS

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“Record Date”	Wednesday, 15 January 2020 or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are to be determined
“Review Period”	the 12-month period from 5 November 2018 up to and including the Last Trading Day
“Rights Issue”	the proposed issue of the Rights Shares by way of rights to the Qualifying Shareholders for subscription on the terms to be set out in the Prospectus Documents and summarized herein
“Rights Share(s)”	not less than 745,166,408 Rights Shares and not more than 879,833,072 Rights Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of four (4) Rights Shares for every one (1) Consolidated Share held at the Record Date pursuant to the Rights Issue
“Settlement Date”	Thursday, 6 February 2020, being the third (3rd) Business Day following the Acceptance Time or such later date as the Company and the Underwriter may agree
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting to be convened and held by the Company to consider and, if thought fit, approve, among other things, the Share Consolidation and the Rights Issue
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued EE Shares into one (1) Consolidated Share
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.483 per Rights Share under the Rights Issue
“subsidiary”	the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers
“Undertakings”	the conditional irrevocable undertakings dated 4 November 2019 from Landmark Profits and Goodco to the Company and the Underwriter described in the section headed “Undertakings” in the Circular

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## DEFINITIONS

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“Underwriter”	Get Nice Securities Limited, a corporation licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 4 November 2019 entered into between the Company and the Underwriter in relation to the underwriting and certain arrangements in respect of the Rights Issue
“Underwritten Shares”	not less than 597,300,276 Rights Shares and not more than 731,966,940 Rights Shares, being all the Rights Shares other than the Rights Shares to be provisionally allotted to and accepted by Landmark Profits and Goodco pursuant to the Undertakings
“Wing Cheong Factory Building”	an industrial building at No. 121 King Lam Street, Kowloon, Hong Kong erected on New Kowloon Inland Lot No. 4474
“%”	percent

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to 4:00 p.m. on the Settlement Date if:

- (a) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the EE Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the EE Group as a whole; or
  - (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the EE Group as a whole; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for this purpose includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) the Prospectus when published contains information (either as to business prospects or the condition of the EE Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the EE Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

In addition, the Underwriter has the right to terminate the Underwriting Agreement if any material breach of the warranties under the Underwriting Agreement comes to the knowledge of the Underwriter.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses payable under it (other than the underwriting commission). If the Underwriter exercises such right, the Rights Issue will not proceed.

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## LETTER FROM THE EE BOARD

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### EMINENCE ENTERPRISE LIMITED

高山企業有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 616)**

*Executive Directors:*

Mr. Kwong Jimmy Cheung Tim

*(Chairman and Chief Executive Officer)*

Ms. Lui Yuk Chu

*(Deputy Chairman)*

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent Non-executive Directors:*

Mr. Kan Ka Hon

Mr. Lau Sin Ming

Mr. Wu Koon Yin Welly

*Head office and principal place of  
business in Hong Kong:*

Block A, 7th Floor

Hong Kong Spinners Building

Phase 6

481–483 Castle Peak Road

Cheung Sha Wan

Kowloon

Hong Kong

17 December 2019

*To the EE Shareholders*

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;  
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
FOUR RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE  
HELD AT THE RECORD DATE; AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

Reference is made to the Announcement in relation to, among other things, the Share Consolidation and the Rights Issue.

**(1) PROPOSED SHARE CONSOLIDATION**

The EE Board proposes to put forward to the EE Shareholders a proposal to effect the Share Consolidation in which every twenty (20) issued and unissued EE Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.20. Fractions of Consolidated Shares arising from the Share Consolidation will if possible be consolidated and sold by a person appointed by the EE Board for that purpose and any net proceeds will be paid to the Company for the Company's benefit.

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## LETTER FROM THE EE BOARD

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### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon, inter alia, satisfaction of the following conditions:

- (i) the passing of an ordinary resolution by the EE Shareholders at the SGM to approve the Share Consolidation; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

### **Expected effective date of the Share Consolidation**

Subject to the above conditions being fulfilled, the Share Consolidation is expected to become effective on Wednesday, 8 January 2020.

### **Effects of the Share Consolidation**

#### ***Convertible Notes***

As at the Latest Practicable Date, Madian Star held the Madian Star Convertible Note, details of which are set out in the definition of “Madian Star Convertible Note”, and Goodco held the Goodco Convertible Notes, details of which are set out in the definition of “Goodco Convertible Notes”.

As at the Latest Practicable Date, other than the Convertible Notes, the Company did not have any outstanding share options granted under any of its share option scheme, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into EE Shares. Based on the Company’s existing authorized share capital of HK\$200,000,000, represented by 20,000,000,000 EE Shares and the existing issued share capital at the Latest Practicable Date of HK\$37,258,320.59, represented by 3,725,832,059 EE Shares, upon completion of the Share Consolidation, the authorized share capital of the Company will remain at HK\$200,000,000, represented by 1,000,000,000 Consolidated Shares, and the nominal amount of the issued Consolidated Shares will be HK\$1,862,916.02 represented by 186,291,602 Consolidated Shares.

Any fraction of Consolidated Shares arising from the Share Consolidation will be aggregated and sold, if possible, for the benefit of the Company. The Consolidated Shares will rank pari passu in all respects with each other.

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## LETTER FROM THE EE BOARD

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The effects of the Share Consolidation are summarized below:

	<b>Prior to the Share Consolidation</b>	<b>Immediately following the Share Consolidation becoming effective <i>(Note)</i></b>
Par value of each EE Share/Consolidated Share in issue	HK\$0.01	HK\$0.20
Number of authorized EE Shares/Consolidated Shares	20,000,000,000	1,000,000,000
Authorized share capital	HK\$200,000,000	HK\$200,000,000
Number of EE Shares/Consolidated Shares in issue	3,725,832,059	186,291,602
Issued and fully paid-up share capital of the Company	HK\$37,258,320.59	HK\$37,258,320.40

*Note:* The issued share capital of the Company immediately after the Share Consolidation becoming effective is presented on the assumption that no further EE Shares are issued or repurchased between the date of the Announcement and the date of the Share Consolidation having become effective. Any fraction arising from the Share Consolidation is not shown in the table.

### **Financial effects of the Share Consolidation**

Other than the relevant expenses incurred, the implementation of the Share Consolidation will have no material effect on the consolidated net asset value of the EE Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interest of the EE Shareholders as a whole. The EE Directors believe that the Share Consolidation will not have any material adverse effect on the financial position of the EE Group.



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# LETTER FROM THE EE BOARD

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## Reasons for the Share Consolidation

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated on 30 August 2019, the expected board lot value of a listed issuer should be greater than HK\$2,000. In addition, under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches HK\$0.01, the issuer may be required either to change the trading method or to proceed with a consolidation of its securities. As at the Last Trading Day, based on the closing price per EE Share of HK\$0.032, and the board lot size of 5,000 EE Shares, the EE Shares were trading under HK\$2,000 per board lot. The Share Consolidation will reduce the number of board lots in the market and increase the nominal value of the Company’s issued shares. EE Shares were traded in board lots of 5,000 as at the Latest Practicable Date. It is proposed that the Consolidated Shares will also be traded in board lots of 5,000. The market price of EE Shares will increase by twenty (20) times theoretically upon the Share Consolidation becoming effective. The daily closing prices of the EE Shares during the Review Period ranged from HK\$0.026 to HK\$0.095. Based on the daily closing prices of HK\$0.095 during the Review Period and the board lot size of 5,000, the values per board lot during the Review Period were far lower than HK\$2,000. In addition, all the daily closing prices during the Review Period was under HK\$0.1 and the value per board lot for all days during the Review Period was lower than HK\$1,000. Based on the closing price quoted on the Stock Exchange on the Last Trading Day of HK\$0.032 per EE Share and HK\$0.64 per Consolidated Share, the values per board lot of 5,000 EE Shares and Consolidated Shares will be HK\$160 and HK\$3,200 respectively. The Share Consolidation should bring about a corresponding upward adjustment in the trading price of the Consolidated Shares and an increase in trading price per board lot, and hence reduce the overall transaction and handling costs for dealing in the Consolidated Shares, and thereby attract more investors to EE Shares. The EE Board therefore believes that the Share Consolidation is in the interests of the Company and the EE Shareholders as a whole.

In addition to the Share Consolidation, the EE Board has also considered other alternatives such as an increase in board lot size. However, as at the Last Trading Day the closing price of HK\$0.032 per EE Share was close to the market price extremity of HK\$0.01 specified under Rule 13.64 of the Listing Rules. The EE Board therefore considers the Share Consolidation, which should increase the trading price and ensure the Group’s compliance with Rule 13.64, a more suitable option than an increase in board lot size.

## Application for listing of the Consolidated Shares

An application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation become effective. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS. The Share Consolidation will be effected in accordance with the provisions of the Bye-Laws of the Company.

## Fractional entitlements to the Consolidated Shares

**Fractional Consolidated Shares will be disregarded and will not be issued to the EE Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company.** Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of EE Shares regardless of the number of share certificates held by such holder.

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## LETTER FROM THE EE BOARD

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EE Shareholders concerned about fractional entitlements are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling EE Shares in a number sufficient to eliminate fractional entitlements.

### **No change in board lot size**

As at the Latest Practicable Date, EE Shares were traded in board lots of 5,000 EE Shares. Upon the Share Consolidation becoming effective, the board lot size of the Consolidated Shares for trading on the Stock Exchange will be 5,000 Consolidated Shares.

Based on the closing price of HK\$0.032 per EE Share (equivalent to HK\$0.64 per Consolidated Share) on the Last Trading Day, the value of each board lot of 5,000 Consolidated Shares, assuming that the Share Consolidation had already been effective, would be HK\$3,200.

### **Odd lots arrangements and matching services**

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Get Nice Securities Limited as a designated broker to provide matching services for sale and purchase of odd lots of the Consolidated Shares, on a best effort basis, to those EE Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their odd lots of the Consolidated Shares from 9:00 a.m. on Wednesday, 22 January 2020 to 4:10 p.m. on Thursday, 13 February 2020 (both dates inclusive).

Holder of odd lots of the Consolidated Shares may contact Mr. Jaime Leung at 10/F., Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong (telephone: (852) 2970-8000) during office hours of such period. Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any EE Shareholder in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

**EE Shareholders and potential investors should note that (i) significant numbers of odd lots will be created after the Share Consolidation; (ii) odd lots arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) shares in odd lots might be traded below the market price.**

### **Free exchange of share certificates**

Subject to the Share Consolidation becoming effective, EE Shareholders may submit existing share certificates for EE Shares to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queens Road East, Hong Kong from Wednesday, 8 January 2020 to Monday, 17 February 2020 (both dates inclusive) for exchange, at the expense of the Company, for new certificates for the Consolidated Shares. Thereafter, share certificates for EE Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate cancelled or each new share certificate issued for the Consolidated Shares, whichever number of certificates cancelled/issued is higher.

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## LETTER FROM THE EE BOARD

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The new share certificates for the Consolidated Shares will be blue in colour in order to distinguish them from the existing certificates for EE Shares which are yellow in colour.

### Adjustments in relation to the other securities of the Company

#### *Convertible Notes*

As at the Latest Practicable Date, the Company had outstanding Convertible Notes as follows:

Issue date	Maturity date	Outstanding amount	Conversion price	EE Shares issuable on conversion
12 June 2015	12 June 2022	HK\$40,400,000	HK\$0.06	673,333,333
11 May 2017	11 May 2022	HK\$16,000,000	HK\$0.16	100,000,000
26 September 2017	26 September 2020	HK\$11,280,000	HK\$0.06	188,000,000
28 August 2019	28 August 2024	<u>HK\$70,000,000</u>	HK\$0.055	<u>1,272,727,272</u>
<b>Total</b>		<b><u>HK\$137,680,000</u></b>		<b><u>2,234,060,605</u></b>

The Share Consolidation may lead to adjustment(s) to the conversion price and the number of EE Shares falling to be issued upon the exercise of the conversion rights attaching to the Convertible Notes in accordance with the terms and conditions of the Convertible Notes. The Company will make further announcements on such adjustments as and when appropriate.

Save as disclosed above, the Company does not have any derivatives, options, warrants and conversion rights or other similar rights that are convertible or exchangeable into any EE Shares or Consolidated Shares as at the Latest Practicable Date.

### (2) PROPOSED RIGHTS ISSUE

Subject to the Share Consolidation having become effective and the approval by the Independent EE Shareholders at the SGM, the Company proposes to raise approximately HK\$359.9 million (assuming that only 745,166,408 Rights Shares are issued at the Subscription Price), before expenses, by way of the Rights Issue of not less than 745,166,408 Rights Shares and not more than 879,833,072 Rights Shares to the Qualifying Shareholders at the Subscription Price of HK\$0.483 per Rights Share on the basis of four (4) Rights Shares for every one (1) Consolidated Share held at the Record Date and payable in full on acceptance.

The minimum number of Rights Shares will be 745,166,408 assuming no change in the number of EE Shares or Consolidated Shares between the Latest Practicable Date and the Record Date. If the Madian Star Convertible Note is exercised in full, but there is no other change in the number of issued EE Shares or Consolidated Shares before the Record Date, the number of Rights Shares will be 879,833,072.

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## LETTER FROM THE EE BOARD

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On 4 November 2019, the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue and further details of the Rights Issue are set out below:

### Issue statistics

Basis of the Rights Issue	:	four (4) Rights Shares for every one (1) Consolidated Share held on the Record Date
Number of EE Shares in issue as at the Latest Practicable Date	:	3,725,832,059 EE Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	186,291,602 Consolidated Shares (assuming no issue of new EE Shares or no repurchase of EE Shares before the Share Consolidation becomes effective)
Number of Rights Shares	:	not less than 745,166,408 Rights Shares and not more than 879,833,072 Rights Shares, payable in full on acceptance
Aggregate nominal value of the Rights Shares	:	HK\$359,915,375 (assuming only 745,166,408 Rights Shares are issued)
Subscription Price	:	HK\$0.483 per Rights Share
Issued share capital of the Company immediately upon completion of the Rights Issue	:	931,458,010 Consolidated Shares (assuming only 745,166,408 Rights Shares are issued)
Funds raised before expenses	:	approximately HK\$359.9 million (assuming only 745,166,408 Rights Shares are issued)
Net proceeds per Rights Share	:	approximately HK\$0.475 per Rights Share (assuming only 745,166,408 Rights Shares are issued)
Underwriter	:	Get Nice Securities Limited
Right of excess application	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

Based on the existing issued share capital of the Company as at the Latest Practicable Date and assuming the Share Consolidation becomes effective and no further EE Shares or Consolidated Shares will be issued or repurchased by the Company on or before the Record Date, a total of 745,166,408 Rights Shares will be allotted and issued pursuant to the Rights Issue and will represent (i) 400% of the issued share capital of the Company upon Share Consolidation having become effective; and (ii) 80% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

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## LETTER FROM THE EE BOARD

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Below are the issue statistics based on the existing issued share capital of the Company as at the Latest Practicable Date and assuming the Share Consolidation becomes effective, the Madian Star Convertible Note is exercised in full and no further EE Shares or Consolidated Shares will be issued or repurchased by the Company on or before the Record Date:

Number of Rights Shares:	:	879,833,072 Rights Shares
Aggregate nominal value of the Rights Shares	:	HK\$424,959,374 (assuming 879,833,072 Rights Shares are issued)
Issued share capital of the Company immediately upon completion of the Rights Issue	:	1,099,791,341 Consolidated Shares (assuming 879,833,072 Rights Shares are issued)
Funds raised before expenses	:	approximately HK\$425.0 million (assuming 879,833,072 Rights Shares are issued)
Net proceeds per Rights Share	:	approximately HK\$0.475 per Rights Share (assuming 879,833,072 Rights Shares are issued)

With the exception of the Convertible Notes, as at the Latest Practicable Date, the Company did not have any outstanding share options granted under its share option scheme or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into EE Shares.

Pursuant to the Undertakings described in the paragraph headed “Undertakings” in the section headed “Underwriting Agreement for the Rights Issue” below, each of Landmark Profits and Goodco has irrevocably undertaken to the Company and the Underwriter that EE Shares beneficially owned by them will not be disposed of or transferred before close of business on the Record Date, that the Rights Shares to be allotted in respect of those Consolidated Shares will be taken up in full and that it will not apply for any excess Rights Shares. Goodco has also undertaken it will not exercise any conversion rights under, or transfer the Goodco Convertible Notes before the close of business on the Record Date. Accordingly, the estimated net proceeds from the Rights Issue will be approximately HK\$353.9 million assuming that only 745,166,408 Rights Shares are issued, of which approximately HK\$300.8 million are intended to use for projects/properties as indicated in the section “Reasons for the Rights Issue and the use of proceeds” on pages 33 to 35, and the remaining balance of approximately HK\$53.1 million for general working capital of the EE Group.

### **Basis of allotment**

The basis of allotment will be four (4) Rights Shares for every one (1) Consolidated Share held on the Record Date.

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## LETTER FROM THE EE BOARD

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### Subscription Price

The Subscription Price for the Rights Shares will be HK\$0.483 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotments of the Rights Shares or, where applicable, applies for excess Rights Shares or a transferee of nil-paid Rights Shares applies for the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 24.5% to the closing price of HK\$0.64 per Consolidated Share, based on the closing price of HK\$0.032 per EE Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 21.6% to the average closing price of HK\$0.616 per Consolidated Share, based on the average closing price of HK\$0.0308 per EE Share as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 6.1% to the theoretical ex-rights price of HK\$0.5144 per Consolidated Share after the Rights Issue, based on the closing price of HK\$0.032 per EE Share as quoted on the Stock Exchange on the date of the Underwriting Agreement (i.e. 4 November 2019) and adjusted for the effect of the Share Consolidation;
- (iv) a discount of approximately 96.8% to the unaudited adjusted consolidated net asset value per Consolidated Share of approximately HK\$14.97 (based on the unaudited consolidated net asset value of the Company as 30 September 2019 of approximately HK\$2,788.8 million and the number of issued Consolidated Shares after the Share Consolidation, which is 186,291,602); and
- (v) a discount of approximately 3.4% to the adjusted closing price of HK\$0.5 per Consolidated Share, based on the closing price of HK\$0.025 per EE Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation.

The Subscription Price was determined based on arm's length negotiations between the Company and the Underwriter with reference to (i) the low trading liquidity of EE Shares for the recent twelve (12) months; (ii) the prevailing market price of EE Shares and the generally downward trend of the closing prices of the EE Shares during the Review Period, which ranged from HK\$1.90 in February 2019 to HK\$0.52 in October 2019 with an average daily closing price per EE Share of approximately HK\$1.176 (adjusted for the Share Consolidation), as well as the theoretical ex-rights price of approximately HK\$0.5144; (iii) the comparable companies (as disclosed under the subsection headed "Comparison with recent rights issue transactions" in the "Letter from the Independent Financial Advisor") that carried out rights issues in Hong Kong, of which the subscription prices of their rights issue were also at a discount to their prevailing market prices; and (iv) the EE Directors' consideration of the future business development of the EE Group.

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## LETTER FROM THE EE BOARD

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In setting the Subscription Price, the EE Directors were mindful of the fact that the Subscription Price represents a discount of approximately 96.8% to the unaudited adjusted consolidated net asset value per Consolidated Share of approximately HK\$14.97 as at 30 September 2019. However, given that the Company requires funding and the EE Shares have been consistently traded at a substantial discount to the consolidated net asset value per EE Share during the Review Period, the EE Directors consider this is unavoidable and that the Subscription Price will take into account the prevailing market price as well as the theoretical ex-rights price of the EE Shares which reflect the fair market value of EE Shares traded on the Stock Exchange.

In view of the current uncertainties and market sentiment in the financial market in Hong Kong, the Company has encountered difficulties to secure potential investors to invest in EE Shares and further banking support. The discount to the recent closing price of EE Shares (adjusted for the Share Consolidation) represented by the Subscription Price was determined with a view to encouraging the Qualifying Shareholders to participate in the Rights Issue and maintain their shareholdings in the Company and benefiting from the future growth of the Company and as a way to induce the Underwriter to enter into the Underwriting Agreement.

Although the Rights Issue will potentially result in a theoretical dilution effect of approximately 6.1%, being the discount of the theoretical diluted price of HK\$0.5144 per Consolidated Share to the benchmarked price of HK\$0.64 per Consolidated Share, the EE Directors consider that the interest of the Qualifying Shareholders will not be prejudiced given that:

- (a) the Independent EE Shareholders can attend and vote for or against the relevant resolution(s) in relation to the Rights Issue and the Underwriting Agreement at the SGM;
- (b) the Qualifying Shareholders can elect to accept the Rights Issue or not;
- (c) the Qualifying Shareholders can sell their nil-paid rights to subscribe for the Rights Shares in the market, for economic benefit;
- (d) the Rights Issue will offer the Qualifying Shareholders an opportunity to subscribe for their Rights Shares to maintain their respective pro-rata shareholding interests in the Company at a deep discount as compared to the net asset value and historical and prevailing market price of the EE Shares; and
- (e) those Qualifying Shareholders who take up their assured allotments in full under the Rights Issue will maintain their respective pro-rata shareholding interests in the Company after completion of the Rights Issue.

Based on the above, the EE Directors (including independent non-executive EE Directors whose opinion is contained in the section headed “Letter from the Independent EE Board Committee” in the Circular) consider the terms of the Rights Issue (including the Subscription Price and the theoretical dilution effect of approximately 6.1%) are fair and reasonable and in the interest of the Company and the EE Shareholders as a whole.

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## LETTER FROM THE EE BOARD

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### **Status of the Rights Shares**

The Rights Shares, when allotted, fully-paid and issued, shall rank pari passu in all respects with EE Shares then in issue, including as to the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty in Hong Kong.

### **Fractional entitlements to Rights Issues Shares**

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market, if a premium (net of expenses) can be obtained, for the benefit of the Company. Any unsold fractions of Rights Shares will be consolidated and available for excess application.

### **Qualifying Shareholders**

To qualify for the Rights Issue, investors must be registered as members of the Company and not be Non-Qualifying Shareholders on the Record Date. Non-Qualifying Shareholders are Overseas Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date to whom the EE Board, based on legal opinions to be provided by legal advisers, considers necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place.

In order to be registered as members of the Company at the close of business on the Record Date, beneficial owners must lodge any transfers of EE Shares (together with the relevant share certificates of the Company) with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 10 January 2020.

The EE Shareholders with their shares held by a nominee (or held in CCASS) should note that the EE Board will consider a nominee (including HKSCC Nominees Limited) as one single EE Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant shares in their own names prior to the Record Date.

The Company will send the Prospectus Documents to the Qualifying Shareholders only.

**Those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

### **Basis for provisional allotments**

The basis of the provisional allotment shall be four (4) Rights Shares (in nil-paid form) for every one (1) Consolidated Share held by the Qualifying Shareholders as at the close of business on the Record Date.



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## LETTER FROM THE EE BOARD

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### **Non-Qualifying Shareholders**

The Company does not intend that the Prospectus Documents will be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will send the Prospectus only (without any PAL and EAF) to the Non-Qualifying Shareholders (if any) for their information.

According to the register of members of the Company, as at the Latest Practicable Date, there were no Overseas Shareholders with registered addresses outside Hong Kong.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders (if any), together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be posted on Tuesday, 11 February 2020 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Tuesday, 11 February 2020 by ordinary post to the applicants, at their own risk, to their registered addresses. Each EE Shareholder will receive one share certificate for all allotted Rights Shares.

### **Application for excess Rights Shares**

The Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares can be made only by completing an EAF and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, on or before the latest time for acceptance, being 4:00 p.m. on Monday, 3 February 2020, or such later date or time as may be agreed between the Company and the Underwriter.

The EE Directors will allocate any excess Rights Shares (if any) at their discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots. The EE Board will allocate the excess Rights Shares to the Qualifying Shareholders who have applied for excess application at its discretion, but on a pro-rata basis in proportion to the number of excess Rights Shares being applied for under each application. In determining the number of excess Rights Shares to be allocated to a Qualifying Shareholder, no reference will be made to the number of Rights Shares subscribed by that Qualifying Shareholder through applications by PAL or the existing number of Shares held by such Qualifying Shareholder. Details of the basis of allocation of excess Rights Shares will be disclosed in the Prospectus.

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## LETTER FROM THE EE BOARD

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Investors with their EE Shares held by a nominee (or which are held in CCASS) should note that the nominee (including HKSCC Nominees Limited) is a single EE Shareholder for the purposes of the Rights Issue. Accordingly, investors whose EE Shares are registered in the names of nominees (or which are held in CCASS) should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to beneficial owners individually.

Investors with their EE Shares held by a nominee (or which are held in CCASS) should consider whether they would like to arrange for the registration of the relevant EE Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose EE Shares are held by nominees (or which are held in CCASS) and would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for completion of the relevant registration by 4:30 p.m. on Friday, 10 January 2020.

The latest time for acceptance of and payment for the Rights Issue will be 4:00 p.m. on Monday, 3 February 2020, or such later date or time as may be agreed between the Company and the Underwriter.

### **Closure of register of members**

The register of members of the Company will be closed from Monday, 13 January 2020 to Wednesday, 15 January 2020 (both dates inclusive). No transfers of EE Shares will be made during this period.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon each of the following conditions:

- (i) approval having been obtained at the SGM of the Company from the Independent EE Shareholders for the Share Consolidation and Rights Issue and transactions contemplated thereunder;
- (ii) the Share Consolidation becoming effective;
- (iii) the registration by and filing with the Registrar of Companies in Hong Kong of the Prospectus Documents;
- (iv) the posting of copies of the Prospectus Documents to the Qualifying Shareholders on the Posting Date;
- (v) compliance with and performance by the Company of certain undertakings and obligations under the Underwriting Agreement;
- (vi) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and such listings and permission to deal not having been withdrawn or revoked on or before 4:00 p.m. on the Settlement Date;

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## LETTER FROM THE EE BOARD

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- (vii) EE Shares or Consolidated Shares (as the case may be) remaining listed on the Stock Exchange at all times prior to the Settlement Date and the listing of EE Shares or Consolidated Shares (as the case may be) not having been withdrawn and the trading of EE Shares or Consolidated Shares (as the case may be) not having been suspended for a consecutive period of more than five (5) trading days for any reason other than clearance of the Announcement; and
- (viii) delivery by the Company to the Underwriter of copies of the Undertakings.

The Rights Issue will not proceed if the Underwriting Agreement is terminated.

In the event that the conditions (i), (ii), (iii), (iv) and (viii) above are not fulfilled and/or waived (other than conditions (i) and (ii) which cannot be waived in whole or in part) on or before the Posting Date or in the event that the conditions (v), (vi) and (vii) above have not been satisfied/or waived (which cannot be waived in whole or in part) on or before 4:00 p.m. on the Settlement Date (or, in each case, such later date as the Underwriter and the Company may agree), all liabilities of the parties to the Underwriting Agreement shall cease and neither party shall have any claim against the other (except that certain expenses of the Underwriter shall remain payable by the Company) and the irrevocable undertakings by Landmark Profits and Goodco will lapse and the Rights Issue will not proceed.

As at the Latest Practicable Date, only condition (viii) above had been fulfilled and none of the conditions precedent had been waived.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms). No part of the securities of the Company is listed or dealt in and listing or permission to deal in then is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. EE Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

The nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 5,000.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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# LETTER FROM THE EE BOARD

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## UNDERWRITING AGREEMENT FOR THE RIGHTS ISSUE

### Undertakings

As at the Latest Practicable Date, Easyknit, through Landmark Profits and Goodco, owned 739,330,692 EE Shares, representing approximately 19.84% of the total issued share capital of the Company. As at the Latest Practicable Date, Goodco also held three (3) outstanding Convertible Notes, being the Goodco Convertible Notes. Goodco has undertaken it will not exercise any conversion rights under, or transfer the Goodco Convertible Notes, or transfer them, before close of business on the Record Date. Madian Star has not given any such undertaking in respect of the Madian Star Convertible Note.

Each of Landmark Profits and Goodco has irrevocably undertaken to the Company and the Underwriter that EE Shares beneficially owned by it will not be disposed of or transferred from the date of the Undertakings, being the date of the Underwriting Agreement, before close of business on the Record Date, that the Rights Shares to be allotted in respect of those Consolidated Shares will be taken up in full, representing a total of 147,866,132 Rights Shares and it will not apply for any excess Rights Shares.

### Underwriting Agreement

Date	:	4 November 2019
Underwriter	:	Get Nice Securities Limited
Number of Underwritten Shares	:	All Rights Shares which are not subject to the Undertakings, being not less than 597,300,276 Rights Shares (assuming no exercise of convertible rights under the Madian Star Convertible Note) and not more than 731,966,940 Rights Shares (assuming exercise in full of conversion rights under the Madian Star Convertible Note)
Commission	:	1.50% of the aggregate Subscription Price in respect of the Underwritten Shares

To the best of the knowledge, information and belief of the EE Directors, having made all reasonable enquiries, in accordance with Rule 7.19(1)(a) of the Listing Rules the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The Underwriter is a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and all the sub-underwriters are licensed corporations under the SFO. As at the Latest Practicable Date, the Underwriter had no interest in EE Shares save pursuant to the Underwriting Agreement.

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## LETTER FROM THE EE BOARD

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As at the Latest Practicable Date, the number of EE Shares issuable on exercise of conversion rights under the Madian Star Convertible Note was 673,333,333 EE Shares. After the Share Consolidation is effective, the number of Consolidated Shares issuable on exercise of conversion rights under the Madian Star Convertible note will be 33,666,666 Consolidated Shares. In the event Madian Star exercises its conversion rights attached to the Madian Star Convertible Note before close of business on the Record Date, 134,666,664 Rights Shares will be provisionally allotted to Madian Star. The Underwriter undertook to underwrite not less than 597,300,276 Rights Shares and not more than 731,966,940 Rights Shares. In the event Madian Star exercises all its conversion rights under the Madian Star Convertible Note before close of business on the Record Date, the Underwriter would underwrite a total of 731,966,940 Rights Shares. In the event Madian Star does not exercise any of its conversion rights under the Madian Star Convertible Note before close of business on the Record Date, the Underwriter would underwrite a total of 597,300,276 Rights Shares. The difference of 134,666,664 Rights Shares are the total number of Rights Shares attributable to Consolidated Shares issued on full exercise of conversion rights under the Madian Star Convertible Note.

The commission rate was determined after arm's length negotiations between the Company and the Underwriter by reference to the expected size of the Rights Issue, and the current and expected market conditions. The EE Board considers that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable as far as the Company and the EE Shareholders are concerned.

### **Termination of the Underwriting Agreement**

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by it to the Company at any time prior to 4:00 p.m. on the Settlement Date if:

- (a) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the EE Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the EE Group as a whole; or
  - (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the EE Group as a whole; or

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## LETTER FROM THE EE BOARD

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- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the absolute opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) the Prospectus when published contains information (either as to business prospects or the condition of the EE Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the EE Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

In addition, the Underwriter has the right to terminate the Underwriting Agreement if any material breach of the warranties under the Underwriting Agreement comes to the knowledge of the Underwriter.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither it nor the Company shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees and expenses payable under it (other than the underwriting commission). If the Underwriter exercises such right, the Rights Issue will not proceed.

### **EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

Under Scenario 1: no conversion rights attaching to any Convertible Notes being exercised, the table of Scenario 1 below sets out the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after Share Consolidation but before the completion of the Rights Issue; (c) immediately after completion of the Rights Issue, assuming all Rights Shares are taken up by the Qualifying Shareholders; and (d) immediately after completion of the Rights Issue, assuming only Landmark Profits and Goodco take up their Rights Shares.

Under Scenario 2: full exercise of conversion rights attaching to the Madian Star Convertible Note but no exercise of conversion rights attaching to any Goodco Convertible Notes, the table of Scenario 2 below sets out the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after the Share Consolidation and Madian Star fully exercised the Madian Star Convertible Note but before the completion of the Rights Issue; (c) immediately after the completion of the Rights Issue and Madian Star fully exercised the Madian Star Convertible Note (all Rights Shares are subscribed by the Qualifying Shareholders); and (d) immediately after the completion of the Rights Issue and Madian Star fully exercised the Madian Star Convertible Note (only Landmark Profits and Goodco take up their Rights Shares).

## LETTER FROM THE EE BOARD

### Scenario 1: no conversion rights attaching to any Convertible Notes exercised

	(a) as at the Latest Practicable Date		(b) immediately after the Share Consolidation but before the completion of the Rights Issue		(c) immediately after the completion of the Rights Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		(d) immediately after the completion of the Rights Issue (only Landmark Profits and Goodco take up their Rights Shares)	
	Number of EE Shares	Approx. %	Number of Consolidated Shares	Approx. %	Number of Consolidated Shares	Approx. %	Number of Consolidated Shares	Approx. %
<b>Non-public</b>								
Easyknit subsidiaries								
Landmark Profits	93,549,498	2.51	4,677,474	2.51	23,387,370	2.51	23,387,370	2.51
Goodco								
– EE Shares	645,781,194	17.33	32,289,059	17.33	161,445,295	17.33	161,445,295	17.33
– total underlying EE Shares	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–
<b>Sub-total</b>	<b>739,330,692</b>	<b>19.84</b>	<b>36,966,533</b>	<b>19.84</b>	<b>184,832,665</b>	<b>19.84</b>	<b>184,832,665</b>	<b>19.84</b>
Other substantial shareholder								
HU Rong	829,230,000	22.26	41,461,500	22.26	207,307,500	22.26	41,461,500	4.45
<b>Public</b>								
Underwriter	–	–	–	–	–	–	69,700,276	7.49
Sub-underwriters (Note)								
– China Rise Securities Asset Management Company Limited	–	–	–	–	–	–	93,000,000	9.98
– John & Wong Securities Company Limited	–	–	–	–	–	–	93,000,000	9.98
– Success Securities Limited	–	–	–	–	–	–	93,000,000	9.98
– Win Wind Securities Limited	–	–	–	–	–	–	93,000,000	9.98
– CS Wealth Securities Limited	–	–	–	–	–	–	93,000,000	9.98
– Brilliant Norton Securities Company Limited	–	–	–	–	–	–	44,000,000	4.73
– Wo Fung Securities Company Limited	–	–	–	–	–	–	18,600,000	2.01
Other public EE Shareholders	1,837,271,367	49.31	91,863,569 <sup>^</sup>	49.31	459,317,845 <sup>^</sup>	49.31	91,863,569 <sup>^</sup>	9.86
Madian Star								
– EE Shares	320,000,000	8.59	16,000,000	8.59	80,000,000	8.59	16,000,000	1.72
– EE Shares underlying Madian Star Convertible Note	<u>673,333,333*</u>	–	<u>673,333,333*</u>	–	<u>673,333,333*</u>	–	<u>673,333,333*</u>	–
<b>Total</b>	<b><u>3,725,832,059</u></b>	<b><u>100.00</u></b>	<b><u>186,291,602<sup>^</sup></u></b>	<b><u>100.00</u></b>	<b><u>931,458,010<sup>^</sup></u></b>	<b><u>100.00</u></b>	<b><u>931,458,010<sup>^</sup></u></b>	<b><u>100.00</u></b>

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## LETTER FROM THE EE BOARD

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\* *For illustration purposes only. The EE Shares underlying Convertible Notes figures have not been added into the total amount or percentage.*

^ *The figures include fractional Consolidated Shares.*

*Note:* China Rise Securities Asset Management Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; John & Wong Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO; Success Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 4 (advising on securities); Win Wind Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; CS Wealth Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) regulated activities under the SFO; Brilliant Norton Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO; and Wo Fung Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) regulated activities under the SFO.



## LETTER FROM THE EE BOARD

### Scenario 2: full exercise of conversion rights attaching to Madian Star Convertible Note; no exercise of conversion rights attaching to any Goodco Convertible Notes

	(a) as at the Latest Practicable Date		(b) immediately after the Share Consolidation and Madian Star fully exercised the Madian Star Convertible Note but before the completion of the Rights Issue		(c) immediately after the completion of the Rights Issue and Madian Star fully exercised the Madian Star Convertible Note (all Rights Shares are subscribed by the Qualifying Shareholders)		(d) immediately after the completion of the Rights Issue and Madian Star fully exercised the Madian Star Convertible Note (only Landmark Profits and Goodco take up their Rights Shares)	
	Number of EE Shares	Approx. %	Number of Consolidated Shares	Approx. %	Number of Consolidated Shares	Approx. %	Number of Consolidated Shares	Approx. %
<b>Non-public</b>								
Easyknit subsidiaries								
Landmark Profits	93,549,498	2.51	4,677,474	2.13	23,387,370	2.13	23,387,370	2.13
Goodco								
– EE Shares	645,781,194	17.33	32,289,059	14.68	161,445,295	14.68	161,445,295	14.68
– total underlying EE Shares	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–
<b>Sub-total</b>	<b>739,330,692</b>	<b>19.84</b>	<b>36,966,533</b>	<b>16.81</b>	<b>184,832,665</b>	<b>16.81</b>	<b>184,832,665</b>	<b>16.81</b>
Other substantial shareholder								
HU Rong	829,230,000	22.26	41,461,500	18.85	207,307,500	18.85	41,461,500	3.77
<b>Public</b>								
Underwriter	–	–	–	–	–	–	108,966,940	9.91
Sub-underwriters (Note)								
– China Rise Securities Asset Management Company Limited	–	–	–	–	–	–	109,800,000	9.98
– John & Wong Securities Company Limited	–	–	–	–	–	–	109,800,000	9.98
– Success Securities Limited	–	–	–	–	–	–	109,800,000	9.98
– Win Wind Securities Limited	–	–	–	–	–	–	109,800,000	9.98
– CS Wealth Securities Limited	–	–	–	–	–	–	109,800,000	9.98
– Brilliant Norton Securities Company Limited	–	–	–	–	–	–	52,000,000	4.74
– Wo Fung Securities Company Limited	–	–	–	–	–	–	22,000,000	2.01
Other public EE Shareholders	1,837,271,367	49.31	91,863,570 <sup>^</sup>	41.76	459,317,846 <sup>^</sup>	41.76	91,863,570 <sup>^</sup>	8.35
Madian Star								
– EE Shares	320,000,000	8.59	49,666,666	22.58	248,333,330	22.58	49,666,666	4.51
– EE Shares underlying Madian Star Convertible Note	<u>673,333,333*</u>	–	–	–	–	–	–	–
<b>Total</b>	<b><u>3,725,832,059</u></b>	<b><u>100.00</u></b>	<b><u>219,958,269<sup>^</sup></u></b>	<b><u>100.00</u></b>	<b><u>1,099,791,341<sup>^</sup></u></b>	<b><u>100.00</u></b>	<b><u>1,099,791,341<sup>^</sup></u></b>	<b><u>100.00</u></b>

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## LETTER FROM THE EE BOARD

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\* *For illustration purposes only. The EE Shares underlying Convertible Notes have not been added into the total amount or percentage.*

^ *The figures include fractional Consolidated Shares.*

*Note:* China Rise Securities Asset Management Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; John & Wong Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO; Success Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 4 (advising on securities); Win Wind Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; CS Wealth Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) regulated activities under the SFO; Brilliant Norton Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO; and Wo Fung Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) regulated activities under the SFO.

Following the Rights Issue, assuming all the Rights Shares are subscribed by the Qualifying Shareholders and the Underwriter, the Company will remain an associate of Easyknit for accounting purposes.

Pursuant to the Underwriting Agreement, in the event that the Underwriter is called upon to subscribe for or to procure subscribers for the Underwritten Shares, the Underwriter shall use its best endeavours to ensure that (1) each of the subscribers of the Underwritten Shares procured by it shall be a third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the EE Directors or chief executive or substantial shareholders of the Company or their respective associates; and (2) the public float requirements under Rule 8.08 of the Listing Rules are fulfilled by the Company upon completion of the Rights Issue. The Underwriter has undertaken, among other things, that it will not subscribe, for its own account and shall procure that no sub-underwriters or persons procured by it or them will apply for or take up, any Underwritten Shares if immediately afterwards the shareholding of the relevant person will be 10% or more of the voting rights of the Company and/or the subscription would result in an obligation to make a mandatory general offer for the Company under the Takeovers Code.

The Underwriter has confirmed to the Company that, at the Latest Practicable Date, it had entered into sub-underwriting agreements with third parties that are independent of and not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the EE Directors or chief executive or substantial shareholders of the Company or their respective associates and that the terms of those sub-underwriting agreements are such that no sub-underwriter can be required to take up Rights Shares such that it will hold 10% or more of the shares in the Company in issue on completion of the Rights Issue. The Company will comply with the public float requirements under Rule 8.08 of the Listing Rules immediately after completion of the Rights Issue. At the Latest Practicable Date, to the best of the EE Directors' knowledge, information and belief having made all reasonable enquiry, (i) none of the sub-underwriters held any EE Shares; (ii) each of the sub-underwriters are independent of each other; (iii) save for the Underwriting Agreement and the sub-underwriting letters, there is no other agreements, arrangements or understandings entered into by the sub-underwriters and the Underwriter in relation to the EE Shares; and (iv) neither the Company nor the Underwriter were aware that any persons were acting in concert in relation to the Company (other than Easyknit and its subsidiaries) and the Company has no reason to believe that any person will incur an obligation to make a mandatory general offer for the Company under the Takeovers Code as a result of completion of the Rights Issue.

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## LETTER FROM THE EE BOARD

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### POSSIBLE ADJUSTMENTS TO THE CONVERTIBLE NOTES

As at the Latest Practicable Date, there were four (4) outstanding Convertible Notes, details of which are set out in the paragraph headed “Convertible Notes” in the section headed “Effects of the Share Consolidation” above. As a result of the Rights Issue, adjustment(s) may need to be made to the exercise price and other rights (if any) attached to the Convertible Notes. The Company will make further announcements accordingly.

### REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The EE Group is principally engaged in property investment, property development, investment in securities and loan financing business.

Upon the completion of the acquisition of the companies which hold the properties at Nos. 1B, 1C, 1D and 1E Davis Street, Kennedy Town, Hong Kong for a total acquisition cost of approximately HK\$782.9 million in late September 2019 and October 2019, the EE Group plans to commence the redevelopment of the Kennedy Town Properties in the 2nd quarter of 2020.

The EE Directors estimate that the redevelopment cost of the Kennedy Town Properties, at current prices, is approximately HK\$340 million. It covers the cost for consultancy fee, finance cost and works including planning, design, demolition, foundation, superstructure construction and interior fit-out for the Kennedy Town Properties.

As at 30 September 2019, the EE Group had unaudited cash and cash equivalents of approximately HK\$158.8 million, of which approximately RMB2.9 million (equivalent to approximately HK\$3.2 million at an exchange rate of HK\$1 to RMB0.9199) is tied up in the PRC as investment capital which it is not practical to transfer back to Hong Kong. Of the balance of approximately HK\$155.6 million, approximately HK\$55.0 million has been earmarked for the acquisition of Wing Cheong Factory Building and related planning and design costs for redevelopment; and approximately HK\$38.2 million retained for the investment in the limited partnership interests in Templewater I, L.P. (details of which could be found in the announcements of the Company dated 27 March 2019 and 10 May 2019 respectively), leaving a balance of approximately HK\$62.4 million. Such cash balance has been reserved for the repayment of bank loan principal, interests and other expenses of approximately HK\$67.3 million. As at 30 September 2019, the EE Group had a portfolio of investment securities with a fair value of approximately HK\$48.1 million. However, due to the net decrease in market value of securities investments, the EE Group would hold the securities as long-term investments, and there is no present plan on the timing of realisation of the securities (details of which could be found in the IR Report). The EE Directors will take into account individual and overall returns generated from the securities and general market conditions as well as the financial position of the Group when assessing and determining if and when to liquidate its investment securities.

The EE Group expects to raise net proceeds of approximately HK\$353.9 million from the Rights Issue, after payment of expenses (equivalent to net proceeds of approximately HK\$0.475 per Rights Share) assuming that only 745,166,408 Rights Shares are issued.

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## LETTER FROM THE EE BOARD

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The Company intends to apply approximately HK\$300.8 million out of the net proceeds from the Rights Issue to the projects as set out in the following table:

<b>Project/Property</b>	<b>Purpose</b>	<b>Estimated costs</b> <i>HK\$'million</i> <i>(approximately)</i>
Matheson Street Project	Construction cost for redevelopment	79.0
Huzhou Properties	Construction cost for the properties	25.0
Wing Cheong Factory Building	Preliminary cost (including planning, design and demolition cost)	22.1
Wing Cheong Factory Building	Additional acquisition cost for the remaining units	12.0
Kennedy Town Properties	Construction cost for redevelopment	15.8
Fung Wah Factorial Building	Acquisition cost for the remaining units	62.0
Potential acquisitions of new properties and other investments		80.0
Shortfall after repayment of bank loan principal, interests and other expenses <i>(Note)</i>		4.9
Net proceeds from the Rights Issue after deducting approximately HK\$53.1 million as general working capital		300.8

*Note:* As abovementioned, cash balance of approximately HK\$62.4 million will be used for repayment of bank loan principal, interests and other expenses, leaving a shortfall of approximately HK\$4.9 million which will be paid from the net proceeds from the Rights Issue.

The remaining balance of approximately HK\$53.1 million will be used for general working capital of the EE Group.

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## LETTER FROM THE EE BOARD

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Apart from the Rights Issue, the Company has also considered alternative fund-raising methods, such as bank financing and a private placing of equity. Secured bank borrowings are not available for that purpose because as at 30 November 2019, the EE Group has approximately HK\$984.8 million and HK\$2,455.4 million of investment properties and properties under development respectively, all of which (excluding the properties in the PRC) have been pledged to banks for securing mortgage and term loan facilities. The outstanding balance of all bank loans as at 30 November 2019 was approximately HK\$1,436.9 million. The Kennedy Town Properties are already mortgaged to the lender that part-financed the acquisition of the Kennedy Town Properties and not available as collateral for new debt for reasons that include the limitations imposed on banks by the Hong Kong Monetary Authority. As a result, limitations imposed on banks by the Monetary Authority, the Group was able to borrow only approximately 40% of the acquisition cost of the Kennedy Town Properties, i.e. HK\$280.8 million, the shortfall of HK\$502.1 million was funded from internal resources. Even if secured debt financing were available, the EE Directors consider that it would incur comparatively higher financing costs and adversely affect gearing (in contrast to the Rights Issue, which will reduce gearing).

Typical additional unsecured financing quotations would require interest at floating rates based on interbank offered rates plus a margin of around 2.1%. Besides, increased debt will increase the EE Group liability and thereby further push up the gearing of the EE Group which the EE Directors do not consider desirable. In regard to a private placing of equity, the EE Directors are of the view that it would cause a material dilution effect to the shareholding of the existing EE Shareholders as it would involve the issue of a substantial amount of new EE Shares at a discount to external parties and the existing EE Shareholders would not have the opportunity to participate in the placing. The EE Board considers that the Rights Issue will allow the Company to strengthen its capital base without incurring interest costs and will give the Qualifying Shareholders the opportunity to further invest in the equity of the Company at a favourable discount while maintaining their respective pro-rata shareholding interests and voting rights in the Company. Hence, the EE Board considers that fund raising of this scale through the Rights Issue is in the best interests of the Company and the Independent EE Shareholders as a whole.

The EE Directors (including the members of the Independent EE Board Committee advised by the Independent Financial Adviser) are of the view that the Rights Issue is fair and reasonable and in the interests of the Company and the EE Shareholders as a whole.

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## LETTER FROM THE EE BOARD

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### FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST TWELVE (12) MONTHS

The following table sets out the fund raising activities of the Company during the past twelve (12) months immediately preceding the Latest Practicable Date:

Date	Fund raising activity	Net proceeds (approximately)	Proposed use of proceeds	Actual use of proceeds
17 June 2019 (announcement) and 2 August 2019 (circular)	Issue of 3% Convertible Note due 2024 (being one of the Goodco Convertible Notes) for HK\$70 million issued on 28 August 2019 under specific mandate at the special general meeting on 21 August 2019	HK\$69.5 million	For finance for the acquisition of the remaining units and redevelopment of Wing Cheong Factory Building, and the acquisition of the Kennedy Town Properties, as well as future projects, and general working capital of the EE Group	Retained for finance for the acquisition of the remaining units and redevelopment of Wing Cheong Factory Building, and the acquisition of the Kennedy Town Properties and general working capital of the EE Group

### BUSINESS REVIEW OF THE EE GROUP

During the six months ended 30 September 2019 (the “**Period**”), the EE Group was principally engaged in the property development, property investment, comprising the ownership and rental of investment properties, investment in securities and loan financing business. The EE Group’s unaudited consolidated loss attributable to the EE Shareholders for the Period was approximately HK\$12,369,000 as compared to consolidated loss of approximately HK\$39,592,000 for the corresponding period in 2018. The decrease in loss was mainly attributable to the increase in rental income, gain on disposal of subsidiaries and the decrease in loss on changes in fair value of financial assets at fair value through profit or loss during the Period. Such decrease in loss was partially offset by the net loss on modification of terms of the Madian Star Convertible Note as well as the impairment loss on properties held for development for sale during the Period. Further information could be found in the IR Report.

### LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the number of EE Shares by more than 50%, the Rights Issue is subject to the approval of the Independent EE Shareholders at the SGM by way of poll. In compliance with Rule 7.27A of the Listing Rules, the Rights Issue is conditional on approval by the EE Shareholders in the SGM by a resolution on which any controlling EE Shareholders and their associates or, where there are no controlling shareholders, the EE Directors (excluding independent non-executive directors of the Company) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, as there are no controlling EE Shareholders and none of the EE Directors and the chief executive of the Company and their respective associates held any EE Shares, no EE Shareholder would be required to abstain from voting in favour of the ordinary resolution to approve the Rights Issue at the SGM.

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## LETTER FROM THE EE BOARD

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### **Independent EE Board Committee and Independent Financial Adviser**

The Independent EE Board Committee, comprising of Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, being all the independent non-executive EE Directors, has been established for the purpose of, among other things, advising the Independent EE Shareholders in respect of the Rights Issue and transactions contemplated thereunder. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to the Independent EE Board Committee and the Independent EE Shareholders to advise the Independent EE Board Committee and the Independent EE Shareholders on the Rights Issue and transactions contemplated thereunder.

### **GENERAL**

The SGM will be convened for the EE Shareholders to consider and, if thought fit, approve the Share Consolidation, Rights Issue and transactions contemplated thereunder.

A notice convening the SGM to be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong on Monday, 6 January 2020 at 9:00 a.m. is set out on pages N-1 to N-4 of the Circular. In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the resolutions to be proposed at the SGM will be taken by poll, the results of which will be published after the SGM.

To the best knowledge of the EE Directors, having made all reasonable enquiries, no EE Shareholder is required to abstain from voting at the SGM.

Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Subject to the approval of the Share Consolidation and the Rights Issue by the Independent EE Shareholders at the SGM and upon the Share Consolidation having become effective, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the EE Group, and PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on or before Thursday, 16 January 2020. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, send the Prospectus to the Non-Qualifying Shareholders (if any) for their information only.

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## LETTER FROM THE EE BOARD

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### RECOMMENDATIONS

Based on the information disclosed herein, the EE Directors are of the view that the Share Consolidation and the Rights Issue are fair and reasonable and is in the interests of the Company and the EE Shareholders as a whole. Accordingly, the EE Directors recommend the EE Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

The Independent EE Board Committee has been established to advise the Independent EE Shareholders as to whether the terms of the Rights Issue and transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the EE Shareholders as a whole and to make recommendations to the Independent EE Shareholders on how to vote at the SGM. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent EE Board Committee and the Independent EE Shareholders in this regard.

The Independent EE Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue and transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the EE Shareholders as a whole. Accordingly, the Independent EE Board Committee recommends the Independent EE Shareholders to vote in favour of the resolutions relating to the Rights Issue and transactions contemplated thereunder to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent EE Board Committee set out on page 40 of the Circular which contains its recommendations to the Independent EE Shareholders in relation to the Rights Issue and transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 41 to 65 of the Circular which contains its advice to the Independent EE Board Committee and the Independent EE Shareholders.

Your attention is also drawn to the additional information set out in the appendices to the Circular.

### WARNING OF THE RISK OF DEALING IN EE SHARES, THE CONSOLIDATED SHARES AND THE RIGHTS SHARES

**EE Shares are expected to be consolidated and dealt in on an ex-rights basis from 9:00 a.m. on Thursday, 9 January 2020. Dealings in the Rights Shares in their nil-paid form are expected to take place from 9:00 a.m. on Monday, 20 January 2020 to 4:10 p.m. on Wednesday, 29 January 2020 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed.**

**Any EE Shareholder(s) or other persons dealing in the Consolidated Shares up to the date on which all the conditions to which the Rights Issue is subject to are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 9:00 a.m. on Monday, 20 January 2020 to 4:10 p.m. on Wednesday, 29 January 2020 (both dates inclusive) will bear the risk that the Rights Issue may not become unconditional and may not proceed.**



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## LETTER FROM THE EE BOARD

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Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

EE Shareholders and potential investors are advised to exercise caution when dealing in the EE Shares or the Consolidated Shares.

Yours faithfully,  
For and on behalf of  
**EMINENCE ENTERPRISE LIMITED**  
**Kwong Jimmy Cheung Tim**  
*Chairman and Chief Executive Officer*

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# LETTER FROM THE INDEPENDENT EE BOARD COMMITTEE

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## EMINENCE ENTERPRISE LIMITED

高山企業有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 616)**

17 December 2019

*To the Independent EE Shareholders*

Dear Sir or Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE**

We refer to the circular of dated 17 December 2019 (the “**Circular**”) of Eminence Enterprise Limited of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed as the Independent EE Board Committee to consider the Rights Issue and transactions contemplated thereunder and to advise the Independent EE Shareholders as to the fairness and reasonableness of the Rights Issue and transactions contemplated thereunder and to recommend whether or not the Independent EE Shareholders should vote for the resolution(s) to be proposed at the SGM to approve the Rights Issue and transactions contemplated thereunder.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent EE Board Committee and the Independent EE Shareholders in such regards. We wish to draw your attention to the letter from the EE Board as set out on pages 12 to 39 of the Circular and the letter from the Independent Financial Adviser as set out on pages 41 to 65 of the Circular which contains, inter alia, its advice and recommendation to us and the Independent EE Shareholders regarding the terms and conditions of the Rights Issue and transactions contemplated thereunder with the principal factors and reasons for its advice and recommendation.

Having taken into account the advice and recommendation of the Independent Financial Adviser, we consider that the terms of the Rights Issue and transactions contemplated thereunder are fair and reasonable so far as the Independent EE Shareholders are concerned and the Rights Issue and transactions contemplated thereunder are in the interests of the Company and the EE Shareholders as a whole. Accordingly, we recommend the Independent EE Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Rights Issue and transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent EE Board Committee

**Kan Ka Hon**

*Independent non-executive  
Director*

**Lau Sin Ming**

*Independent non-executive  
Director*

**Wu Koon Yin Welly**

*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent EE Board Committee and the Independent EE Shareholders for inclusion in the Circular:*



紅日資本有限公司

RED SUN CAPITAL LIMITED

17 December 2019

*To: The Independent EE Board Committee and the Independent EE Shareholders  
of Eminence Enterprise Limited*

Dear Sir/Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent EE Board Committee and the Independent EE Shareholders in respect of the proposed Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the EE Shareholders dated 17 December 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

With reference to the Announcement, the Company proposes to raise approximately HK\$359.9 million (assuming that only 745,166,408 Rights Shares are issued at the Subscription Price), before expenses, by way of the Rights Issue of not less than 745,166,408 Rights Shares and not more than 879,833,072 Rights Shares to the Qualifying Shareholders at the Subscription Price of HK\$0.483 per Right Share on the basis of four (4) Rights Shares for every one (1) Consolidated Share held on the Record Date and payable in full on acceptance. The Rights Issue will not be available to Non-Qualifying Shareholders. The estimated net proceeds from the Rights Issue will be approximately HK\$353.9 million (assuming that only 745,166,408 Rights Shares are issued at the Subscription Price), of which approximately HK\$300.8 million are intended to be used for the Kennedy Town Properties and the remaining balance of approximately HK\$53.1 million for general working capital of the EE Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, Easyknit, through Landmark Profits and Goodco, owned 739,330,692 EE Shares, representing approximately 19.84% of the total issued share capital of the Company. Goodco has irrevocably undertaken to the Company and the Underwriter that it will not exercise any conversion rights under, or transfer, the Goodco Convertible Notes before close of business on the Record Date. Each of Landmark Profits and Goodco has irrevocably undertaken to the Company and the Underwriter that EE Shares beneficially owned by it will not be disposed of or transferred before close of business on the Record Date, and that it will take up all the Rights Shares to be allotted in respect of the Consolidated Shares it will own, representing a total of 147,866,132 Rights Shares. Both Landmark Profits and Goodco have undertaken that they will not apply for any excess Rights Shares.

The Rights Issue will be underwritten by the Underwriter, conditional upon, inter alia: (i) the Share Consolidation becoming effective; and (ii) approval having been obtained at the SGM from the Independent EE Shareholders for the Rights Issue and transactions contemplated thereunder. Further details of the underwriting arrangement are set out in the paragraph headed “Underwriting Agreement for the Rights Issue” in the Letter from the Board. If the conditions are not fulfilled (or waived, where applicable) or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

### **Listing Rules Implication**

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the number of EE Shares in issue by more than 50%, the Rights Issue is subject to the approval of the Independent EE Shareholders at the SGM by way of poll. In compliance with Rule 7.27A of the Listing Rules, the Rights Issue is conditional on approval by the Independent EE Shareholders in the SGM by an ordinary resolution on which any controlling Shareholders and their associates or, where there are no controlling EE Shareholders, the EE Directors (excluding independent non-executive EE Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, there were no controlling EE Shareholders and none of the EE Directors and the chief executive of the Company and their respective associates held any EE Shares. Accordingly, no EE Shareholder would be required to abstain from voting in favour of the ordinary resolution to approve the Rights Issue at the SGM.

### **THE INDEPENDENT EE BOARD COMMITTEE**

The Independent EE Board Committee comprising all independent non-executive EE Directors of the Company, namely, Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly, has been established by the Board to make recommendations to the Independent EE Shareholders in respect of the Rights Issue and transactions contemplated thereunder.

We, Red Sun Capital Limited, have been appointed as Independent Financial Adviser to advise the Independent EE Board Committee and the Independent EE Shareholders as to whether (i) the terms of the proposed Rights Issue are fair and reasonable and in the interests of the Company and the EE Shareholders as a whole; and (ii) how the Independent EE Shareholders should vote in respect of the relevant resolution(s) to approve the proposed Rights Issue and transactions contemplated thereunder at the SGM.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## OUR INDEPENDENCE

We are independent from and not connected with the Company nor any other parties that could reasonably be regarded as relevant to our independence, and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent EE Shareholders regarding the proposed Rights Issue and transactions contemplated under it. In the previous two years, save for our appointment as the independent financial adviser for (i) the connected transactions in respect of a very substantial acquisition and a very substantial disposal, the circular of which was dated 12 February 2019; and (ii) the connected transaction in respect of the proposed issue of a convertible note under specific mandate, the circular of which was dated 2 August 2019, we have not acted as an independent financial adviser to any independent board committee and the independent shareholders of the Company for any transaction.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

## BASIS OF OUR ADVICE

In formulating our advice to the Independent EE Board Committee and the Independent EE Shareholders, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular which have been provided by the Company, the EE Directors and the Management, and for which they are solely and wholly responsible, were true and accurate at the time they were made and continued to be as at the date of the SGM and the EE Shareholders will be informed of any material change of information in the Circular.

The EE Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the EE Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the EE Group, the Underwriter or its subsidiaries, or their respective associates. We have not considered the taxation implications on the EE Group or the EE Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and is not used out of context.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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EE Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any shares or any other securities of the Company.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice to the Independent EE Board Committee and the Independent EE Shareholders, we have taken into consideration the following principal factors and reasons:

#### 1. Information on the EE Group

As stated in the Letter from the Board, the EE Group is principally engaged in property investment, comprising the ownership and rental of investment properties, property development, securities investment and loan financing business.

A summary of the key financial information of the EE Group as extracted from the Company's annual report for the year ended 31 March 2019 (the "2019 Annual Report") and IR Report is set out below.

	For the year ended		For the six months ended	
	31 March		30 September	
	2019	2018	2019	2018
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>				
– Rental Income	31,350	23,702	23,899	14,502
– Management fee income	11,277	9,310	5,993	5,681
– Interest income from loan financing	19,601	16,593	10,058	9,035
	<b>62,228</b>	<b>49,605</b>	<b>39,950</b>	<b>29,218</b>
<b>Cost of services rendered</b>	<b>(3,271)</b>	<b>(2,880)</b>	<b>(2,088)</b>	<b>(1,547)</b>
	<b>58,957</b>	<b>46,725</b>	<b>37,862</b>	<b>27,671</b>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended		For the six months ended	
	31 March		30 September	
	2019	2018	2019	2018
	(audited)	(audited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income	7,137	7,677	4,593	4,858
Other gains and losses	(395)	1,552	(374)	(551)
Other expenses	(58)	(121)	(43)	(28)
Distribution and selling expenses	–	(40)	–	(76)
Administrative expenses	(48,276)	(35,525)	(27,992)	(22,876)
Net loss on modification of terms of convertible note	–	(1,023)	(37,526)	–
Gain/(loss) on changes in fair value of investment properties	45,988	72,337	(1,714)	(2,288)
Impairment loss on properties held for development for sale	–	–	(24,051)	–
Impairment loss on financial assets, net of reversal:				
– Debt instruments at fair value through other comprehensive income	(181)	–	(185)	–
– Loans receivable	(2,808)	–	606	(2,321)
– Available-for-sale investments	–	(3,406)	–	–
– Loss on changes in fair value of financial assets at fair value through profit or loss	(16,283)	(2,195)	(6,992)	(25,483)
Gain on disposal of subsidiaries	43,139	–	57,511	–
Financial costs	(36,310)	(31,373)	(14,198)	(19,420)
<b>Profit/(loss) before taxation</b>	<b>50,910</b>	<b>54,608</b>	<b>(12,503)</b>	<b>(40,514)</b>
Taxation	(400)	(1,069)	134	922
<b>Profit/(loss) for the year/period attributable to owners of the Company</b>	<b>50,510</b>	<b>53,539</b>	<b>(12,369)</b>	<b>(39,592)</b>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 March		As at 30 September	
	2019 (audited) <i>HK\$'000</i>	2018 (audited) <i>HK\$'000</i>	2019 (unaudited) <i>HK\$'000</i>	2018 (unaudited) <i>HK\$'000</i>
Cash and bank balances	141,582	125,422	145,299	141,582
Total assets	4,034,545	4,011,917	3,948,543	4,034,545
Total liabilities	1,300,375	1,296,629	1,159,694	1,300,375
Total equity	2,734,170	2,715,288	2,788,849	2,734,170

For the year ended 31 March 2019, the EE Group recorded revenue of approximately HK\$62.2 million, representing an increase of approximately 25.4% from the revenue of approximately HK\$49.6 million recorded during the year ended 31 March 2018. The increase in revenue was mainly attributable to (i) the increase in the rental income from the property investment business from approximately HK\$33.0 million for the year ended 31 March 2018 to approximately HK\$42.6 million for the year ended 31 March 2019; and (ii) the increase in interest income from the loan financing business from approximately HK\$16.6 million for the year ended 31 March 2018 to approximately HK\$19.6 million for the year ended 31 March 2019. However, the EE Group's profit before taxation for the year ended 31 March 2019 decreased by approximately HK\$3.7 million or 6.8% from approximately HK\$54.6 million for the year ended 31 March 2018 to HK\$50.9 million for the year ended 31 March 2019 mainly due to the combined effect of (i) a one-off gain on disposal of a subsidiary of approximately HK\$43.1 million was recorded for the year ended 31 March 2019; (ii) the decrease in gain on changes in fair value of investment properties of approximately HK\$26.3 million for the year ended 31 March 2019; (iii) the increase in administrative expenses of approximately HK\$12.7 million for the year ended 31 March 2019; and (iv) the increase in loss on changes in fair value of financial assets at fair value through profit or loss of approximately HK\$14.1 million for the year ended 31 March 2019.

For the six months ended 30 September 2019, the EE Group recorded revenue of approximately HK\$40.0 million, representing an increase of approximately 36.7% from the revenue of approximately HK\$29.2 million, recorded during the six months ended 30 September 2019. The increase in revenue was mainly attributable to the increase in the rental income from the property investment business. The EE Group's loss before taxation for the six months ended 30 September 2019 also decreased by approximately 69.1% or HK\$28.0 million from a loss of approximately HK\$40.5 million to a loss of approximately HK\$12.5 million mainly due to the combined effect of (i) the decrease in loss on changes in fair value of financial assets at fair value through profit or loss of approximately HK\$18.5 million; (ii) the decrease in finance costs of approximately HK\$5.2 million; and (iii) the one off gain in disposal of subsidiaries of approximately HK\$57.5 million being partially offset by the loss on change in fair of investment properties of approximately HK\$37.5 million and impairment loss on properties held for development for sale of approximately HK\$24.1 million.

As at 30 September 2019, the EE Group had total assets, total liabilities and total equity of approximately HK\$3,948.5 million, HK\$1,159.7 million and HK\$2,788.8 million, respectively.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Background of and reasons for the Rights Issue

As set out in the Letter from the Board, the EE Group is principally engaged in property investment, property development, investment in securities and loan financing business.

Upon the completion of the acquisition of the companies which hold the properties on Nos. 1B, 1C, 1D and 1E Davis Street, Kennedy Town, Hong Kong for a total acquisition cost of approximately HK\$782.9 million in late September 2019 and October 2019, the EE Group plans to commence the redevelopment of the Kennedy Town Properties in the 2nd quarter of 2020.

The EE Directors estimate that the redevelopment cost of the Kennedy Town Properties, at current prices, is approximately HK\$340 million. It covers the cost for consultancy fee, finance cost and works including planning, design, demolition, foundation, superstructure construction and interior fit-out for the Kennedy Town Properties.

As at 30 September 2019, the EE Group had unaudited cash and cash equivalents of approximately HK\$158.8 million, of which approximately RMB2.9 million (equivalent to approximately HK\$3.2 million at an exchange rate of HK\$1 to RMB0.9199), is tied up in the PRC as investment capital which it is not practical to transfer back to Hong Kong. Of the balance of approximately HK\$155.6 million, approximately HK\$55.0 million has been earmarked for the acquisition of Wing Cheong Factory Building and related planning and design costs for redevelopment; and approximately HK\$38.2 million retained for the investment in the limited partnership interests in Templewater I, L.P. (details of which could be found in the announcements of the Company dated 27 March 2019 and 10 May 2019 respectively), leaving a balance of approximately HK\$62.4 million. Such cash balance has been reserved for the repayment of bank loan principal, interests and other expenses of approximately HK\$67.3 million. As at 30 September 2019, the EE Group had a portfolio of investment securities with a fair value of approximately HK\$48.1 million. However, due to the net decrease in market value of securities investments, the EE Group would hold the securities as long-term investments, and there is no present plan on the timing of realisation of the securities (details of which could be found in the IR Report). The EE Directors will take into account individual and overall returns generated from the securities and general market conditions as well as the financial position of the Group when assessing and determining if and when to liquidate its investment securities.

The EE Group expects to raise net proceeds of approximately HK\$353.9 million from the Rights Issue, after payment of expenses (equivalent to net proceeds of approximately HK\$0.475 per Rights Share) assuming that only 745,166,408 Rights Shares are issued.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company intends to apply approximately HK\$300.8 million out of the net proceeds from the Rights Issue to the projects as set out in the following table:

<b>Name of Project/Property</b>	<b>Purpose</b>	<b>Estimated costs</b> <i>HK\$'million</i> <i>(approximately)</i>
Matheson Street Project	Construction cost for redevelopment	79.0
Huzhou Properties	Construction cost for the properties	25.0
Wing Cheong Factory Building	Preliminary cost (including planning, design and demolition cost)	22.1
Wing Cheong Factory Building	Additional acquisition cost for the remaining units	12.0
Kennedy Town Properties	Construction cost for redevelopment	15.8
Fung Wah Factorial Building	Acquisition cost for the remaining units	62.0
Potential acquisitions of new properties and other investments		80.0
Shortfall after repayment of bank loan principal, interests and other expenses <i>(Note)</i>		4.9
Net Proceeds from the Rights Issue after deducting HK\$53.1 million as general working capital		<hr/> 300.8 <hr/> <hr/>

*Note:* As abovementioned, cash balance of approximately HK\$62.4 million will be used for repayment of bank loan principal, interests and other expenses, leaving a shortfall of approximately HK\$4.9 million which will be paid from the net proceeds from the Rights Issue.

The remaining balance of approximately HK\$53.1 million will be used for general working capital of the EE Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Overview of the Hong Kong Property Market*

According to the statistics published on the Rating and Valuation Department of Hong Kong, the completions of private domestic properties increased from 8,254 units in 2013 to 20,968 units in 2018, representing a compound annual growth rate (“CAGR”) of approximately 20.5% and the completions of private offices increased from 122,700 sq.m. in 2013 to 179,200 sq.m. in 2018, representing a CAGR of approximately 7.9%.

Moreover, according to the report published by Rating and Valuation Department of Hong Kong in April 2019 titled “Hong Kong Property Review 2019”, the completions of private domestic properties and office in 2019 are expected to stay at 20,415 units and 285,000 sq.m. in 2019, respectively.

According to the Chief Executive’s 2019 Policy Address published on 16 October 2019, under the new housing measures, the government-backed Hong Kong Mortgage Corporation will relax the ceiling on first-home mortgages, enabling buyers to borrow up to 90 per cent of a completed property’s value to a maximum of HK\$8 million. The lending cap for borrowers eligible for 80 per cent loan financing was raised to HK\$10 million.

Having considered the above, we are of the view the property market in Hong Kong shall remain stable with a positive price trend and therefore we concur with the view of the EE Directors that the amount earmarked for replenishing the internal cash resources previously used to pay for the balance of acquisition of the Kennedy Town Properties not being financed by bank and supporting the development costs of other projects is fair and reasonable.

Furthermore, we understand from the EE Directors that the EE Group intends to redevelop the Kennedy Town Properties into a commercial/residential/service apartment building potentially with car parking spaces and the EE Directors consider and we concur that this is in line with the EE Group’s business mainstream of property development.

After enquiring with the EE Directors, we are given to understand that the EE Directors consider that (i) the redevelopment of the Kennedy Town Properties is in line with the EE Group’s business main stream of property development; (ii) the positive market outlook of the Hong Kong property market; and (iii) the net proceeds from the Rights Issue enable the EE Group to have higher flexibility to capitalize any future investment opportunities that may arise. Based on the foregoing, we concur with the view of the EE Directors that the amount of net proceeds earmarked for the replenishment of internal resources is fair and reasonable.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 3. Fund raising activities during the past 12 months

We note that the cash and bank balances currently available to the EE Group were primarily attributable to the recent fund raising activity of the Company. The following table sets out the fund raising activity of the Company during the past 12 months immediately before the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of net proceeds	Actual use of proceeds
17 June 2019 (announcement) and 2 August 2019 (circular)	Issue of 3% Convertible Note due 2024 (being one of the Goodco Convertible Notes) for HK\$70 million issued on 28 August 2019 under specific mandate at the special general meeting on 21 August 2019	HK\$69.5 million	For financing the acquisition of the remaining units and redevelopment of Wing Cheong Factory Building, and the acquisition of the Kennedy Town Properties, as well as future projects, and general working capital of the EE Group	Retained for finance for the acquisition of the remaining units and redevelopment of Wing Cheong Factory Building, and the acquisition of the Kennedy Town Properties and general working capital of the EE Group

Based on the table above, the Company has carried out one fund raising activity in the past 12 months and a total of approximately HK\$69.5 million was intended to be used as acquisition and redevelopment and general working capital of the EE Group. We noted that the net proceeds from the fund raising activities in the past 12 months were retained for their respective intended uses.

As set out in the Letter from the Board, as at 30 September 2019, the EE Group had unaudited cash and cash equivalents of approximately HK\$158.8 million, of which approximately RMB2.9 million (equivalent to approximately HK\$3.2 million at an exchange rate of HK\$1 to RMB0.9199), is tied up in the PRC as investment capital which it is not practical to transfer back to Hong Kong. Of the balance of approximately HK\$155.6 million, approximately HK\$55.0 million has been earmarked for the acquisition of Wing Cheong Factory Building and related planning and design costs for redevelopment; and approximately HK\$38.2 million retained for an investment commitment, leaving a balance of approximately HK\$62.4 million. In addition, as at 30 September 2019, the EE Group had a portfolio of investment securities with a fair value of approximately HK\$48.1 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given that (i) the net proceeds from the fund raising activities in the past 12 months were retained respective intended uses; and (ii) the cash and bank balances of the EE Group have been earmarked for various business development activities which will broaden the EE Group's property portfolio and bring potential income in the long run, we are of the view that it is justifiable for the EE Group to raise further funds for replenishing the internal cash resources previously used to pay for the balance of acquisition of the Kennedy Town Properties not being financed by bank borrowings as mentioned above.

#### 4. Financing alternatives

As discussed with the Company, we understand the EE Board has considered other alternative means of fund raising before resolving to propose the Rights Issue including the followings:

(i) *Placing of new shares*

As set out in the Letter from the Board, the EE Directors are of the view and we concur that it would cause a material dilution effect to the shareholding of the existing EE Shareholders as it would involve the issue of a substantial amount of new EE Shares at a discount to external parties and the existing EE Shareholders would not have the opportunity to participate in the placing.

(ii) *Debt financing*

As set out in the Letter from the Board, secured bank borrowings are not available for that purpose because as at 30 November 2019, the EE Group has approximately HK\$984.8 million and HK\$2,455.4 million of investment properties and properties under development respectively, all of which (excluding the properties in the PRC) have been pledged to banks for securing mortgage and term loan facilities. The outstanding balance of all bank loans as at 30 November 2019 was approximately HK\$1,436.9 million. In addition, as the Kennedy Town Properties are already mortgaged to the lender that part-financed the acquisition of the Kennedy Town Properties and because of the limitations imposed on banks by the Hong Kong Monetary Authority (“**HKMA**”), it is not available as collateral for new debt.

We have reviewed the relevant documents provided by the Company, including the mortgage documents and loan documents which demonstrated that the EE Group has already pledged all of its investment properties and properties under development to banks to secure bank borrowings. We have also reviewed the circular published by the HKMA on 12 May 2017<sup>1</sup> (the “**HKMA Circular**”) in relation to risk management for lending to property developers. Based on the HKMA Circular, from 1 August 2018, authorised institutions should lower their financing caps on constructing financing loans to all relevant property developers to 40% of the site value and 80% of the construction costs, with an overall cap of 50% on the expected value of the completed properties. We thereby concur with the EE Directors that based on the limitations imposed on banks by the HKMA, the EE Group would only be able to borrow approximately 40% of the acquisition cost of the Kennedy Town Properties, i.e. HK\$280.8 million, with the shortfall of HK\$502.1 million funded from available internal resources which need to be replenished.

<sup>1</sup> <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2017/20170512e1.pdf>

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Moreover, the EE Directors consider and we concur that additional debt financing will incur additional interest costs and will affect the profitability of the EE Group as well as creating gearing which we do not consider desirable. However, the equity raised through the Rights Issue would not be interest-bearing and hence the Company would have a notional savings in interest payable as compared with incurring interest costs. Therefore, the Rights Issue as compared to debt financing would allow the Company to strengthen its capital base and liquidity without incurring interest costs.

In view of the above, we are of the view and we concur with the EE Directors that the Rights Issue is a favourable equity financing method available to the EE Group as (i) the Rights Issue offers all the Qualifying Shareholders equal opportunity to subscribe for their pro-rata provisional allotments of the Rights Shares and hence avoids dilution and participate as fully as the Qualifying Shareholders wish in the growth opportunity of the Company by way of applying for excess Right Shares; (ii) the Rights Issue allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefits; (iii) the Rights Issue removes a certain degree of uncertainty as compared to best-efforts placing; and (iv) the Rights Issue allows the Company to strengthen its capital base and liquidity without incurring interest costs and also enables the Company to reduce its gearing ratio.

### 5. Principal terms of the Rights Issue

#### 5.1 *Subscription Price*

The Subscription Price is HK\$0.483 per Rights Share. As advised by the EE Directors, the Subscription Price was determined based on arm's length negotiations between the Company and the Underwriters with reference to (i) the low trading liquidity of the EE Shares for the recent 12 months; (ii) the prevailing market price of the EE Shares, which has been generally on a declining trend; and (iii) the EE Directors' consideration of the future business development of the EE Group.

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following informative analysis for illustrative purpose:

#### *Comparison with prevailing market price*

We note that the Subscription Price represents:

- i) a discount of approximately 24.5% to the closing price of HK\$0.64 per Consolidated Share, based on the closing price of HK\$0.032 per EE Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- ii) a discount of approximately 21.6% to the average closing price of HK\$0.616 per Consolidated Share, based on the average closing price of HK\$0.0308 per EE Share as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Share Consolidation;

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- iii) a discount of approximately 6.1% to the theoretical ex-rights price of HK\$0.5144 per Consolidated Share after the Rights Issue, based on the closing price of HK\$0.032 per EE Share as quoted on the Stock Exchange on the date of the Underwriting Agreement (i.e. 4 November 2019) and adjusted for the effect of the Share Consolidation;
- iv) a discount of approximately 96.8% to the unaudited adjusted consolidated net asset value per Consolidated Share of approximately HK\$14.97 (based on the unaudited consolidated net asset value of the Company as 30 September 2019 of approximately HK\$2,788.8 million and the 186,291,602 issued Consolidated Shares after the Share Consolidation); and
- v) a discount of approximately 3.4% to the adjusted closing price of HK\$0.50 per Consolidated Share, based on the closing price of HK\$0.025 per EE Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation.

Based on the above, we note that the Subscription Price in general represents a substantial discount to the prevailing market price of the EE Shares.

### *Comparison with different multiples*

In order to assess the reasonableness of the multiple (i.e. 4 for 1) of the Rights Issue, we have conducted an analysis regarding hypothetical subscription prices to the prevailing market price in different multiples scenarios given the same proceeds to be raised (i.e. HK\$359.9 million):

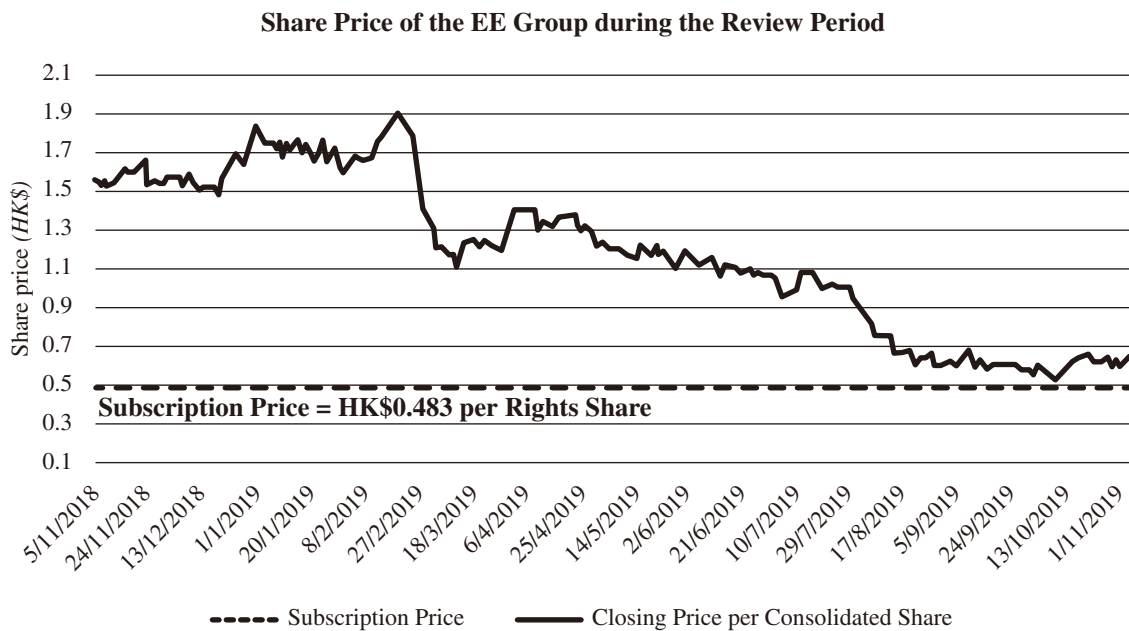
Basis of entitlement	1 for 1	2 for 1	3 for 1	4 for 1	5 for 1	6 for 1
Hypothetical number of rights shares	186,291,602	372,583,204	558,874,806	745,166,408	931,458,010	1,117,749,612
Hypothetical subscription price (HK\$)	1.9320	0.9660	0.6440	0.4830	0.3864	0.3220
Premium/(discount) to the closing price on the Last Trading Day (%)	201.88	50.94	0.63	(24.53)	(39.63)	(49.69)

A subscription price at a discount to the market price could enhance the attractiveness of the rights issue and encouraging qualifying shareholders to participate in the rights issue and accordingly maintain their respective proportional shareholding interests in the company and participate in the future growth of the company. According to the above table, we noted that, under the scenario of 3 for 1, there would be a premium of approximately 0.63% to the closing price of HK\$0.64 per Consolidated Share on the Last Trading Day which is considered unlikely to be attractive to the Qualifying Shareholders and attract them to participate in the Rights Issue. As such, we are of the view that the next alternative (i.e. 4 for 1) would be more favourable in terms of attractiveness for participation in the Rights Issue to the Qualifying Shareholders.

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### *Comparison with historical closing prices*

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements of the share price of the Company based on the closing price per EE Share as quoted on the Stock Exchange for the Review Period. For illustration purpose, the share price chart below assumed the Share Consolidation had already taken place.



During the Review Period, the lowest closing price per Consolidated Share (based on the assumption that the Share Consolidation had then taken place) was HK\$0.52, based on the closing price of HK\$0.026 per EE Share, recorded on 10 October 2019 while the highest closing price per Consolidated Share was HK\$1.90, based on the closing price of HK\$0.095, recorded on 19 February 2019 and 20 February 2019. The average daily closing price per Consolidated Share was approximately HK\$1.176, based on the average daily closing price per EE Share of approximately HK\$0.059.

We note that the Subscription Price of HK\$0.483 per Rights Share is below the daily closing prices per EE Share throughout the Review Period and represents (i) a discount of approximately 74.6% from the highest closing price; (ii) a discount of approximately 7.1% to the lowest closing price; and (iii) a discount of approximately 58.9% from the average daily closing price during the Review Period. The EE Shares were traded above the Subscription Price throughout the Review Period. Hence, we consider it is fair and reasonable for the Company to determine the Subscription Price with reference the prevailing market price of the EE Shares and a discount to enhance the attractiveness of the Rights Issue.

We also note that the prevailing market price of the EE Shares in the Review Period demonstrated an overall declining trend as shown in the above diagram.



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### *Review on the trading liquidity of the EE Shares*

In order to assess the fairness and reasonableness of the Subscription Price, apart from the daily closing price of the EE Shares, we have also reviewed the trading volume data in respect of the EE Shares during the Review Period as illustrated in the table below:

	<b>Total trading volume for the month/ period <i>Number of Shares</i></b>	<b>Number of trading days in the corresponding month/period</b>	<b>Average daily trading volume for the relevant month/period <i>Number of Shares (Note 1)</i></b>	<b>Percentage of average daily trading volume to number of EE Shares in issue as at the end of the relevant month/period  <i>(Note 2)</i></b>
<b>2018</b>				
November (commencing from 5 November 2018)	186,252,657	18	10,347,370	0.28%
December	80,737,211	19	4,249,327	0.11%
<b>2019</b>				
January	78,097,263	22	3,549,876	0.10%
February	110,855,266	17	6,520,898	0.18%
March	292,345,025	21	13,921,192	0.37%
April	115,480,843	19	6,077,939	0.16%
May	130,102,300	21	6,195,348	0.17%
June	108,709,600	19	5,721,558	0.15%
July	226,929,979	22	10,314,999	0.28%
August	397,705,320	22	18,077,515	0.49%
September	375,060,376	21	17,860,018	0.48%
October	169,994,075	21	8,094,956	0.22%
November (up to and including the Last Trading Date)	18,010,000	2	9,005,000	0.24%
			<b>Maximum</b>	0.49%
			<b>Minimum</b>	0.10%
			<b>Average</b>	0.28%

*Source: The website of the Stock Exchange as well as next day disclosure returns, monthly returns and announcements published by the Company on the website of the Stock Exchange*

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*Notes:*

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the EE Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on number of Shares in issue stated in the monthly return of the Company as at the respective month-end.

As illustrated in the table above, we note that the average number of EE Shares traded per trading date in each month during the Review Period as a percentage of the total number of issued EE Shares as at the respective month-ends ranged from approximately 0.1% to approximately 0.49%. Given the relatively thin trading liquidity of the EE Share during the Review Period, it would be difficult for the EE Shareholders to acquire a substantial block of the EE Shares in the open market, without exerting impact on the EE Share price. Accordingly, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing historical closing prices of the EE Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interests in the Company.

*Comparison with recent rights issue transactions*

We have independently reviewed rights issues announced by companies listed on the Stock Exchange during the six-month period prior to the date of the Underwriting Agreement, i.e. 4 November 2019, and were fully underwritten by independent third parties. Based on such search criteria, we have identified five rights issues (the “**Rights Issue Comparable(s)**”) for comparison purposes. To the best of our knowledge, the list of Rights Issue Comparables is an exhaustive list of rights issues meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues, details of which are set out in the table below.

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Although the Rights Issue Comparables may be different from the EE Group in terms of business nature, financial performance, financial position and funding requirements, the Rights Issue Comparables can serve as a market reference for recent market practices in relation to the subscription prices under other rights issues as compared to the relevant prevailing market share prices and provide an insight to the reasonableness of the Subscription Price in respect of the Rights Issue.

Date of announcement	Company name (stock code)	Basis of entitlement	Premium/ (Discount) of subscription price to the closing price on the last trading day (%)	Premium/ (Discount) of subscription price to the ex-rights price (%)	Premium/ (Discount) of subscription price to the net asset value (%)	Underwriting commission (%)	Maximum dilution (%)	Excess application (Yes/No)	Fully underwritten by
13-Jun-19	International Standard Resources Holdings Limited (91)	1 for 2	(32.96)	(24.67)	33.78	2.50	33.33	Yes	Independent third party
18-Jul-19	Cocoon Holdings Limited (428)	2 for 1	(13.80)	(5.10)	(75.20)	1.00	66.67	Yes	Independent third party
26-Aug-19	Jiangnan Group Limited (1366)	1 for 2	(13.80)	(9.70)	(78.95)	3.50	33.33	No	Independent third party
11-Oct-19	Ping An Securities Group (Holdings) Limited (231)	1 for 2	(27.54)	(20.63)	194.12	1.20	33.33	Yes	Independent third party
29-Oct-19	Li Bao Ge Group Limited (1869)	1 for 4	(10.19)	(8.32)	54.44	3.00	20.00	Yes	Independent third party
	Minimum		(10.19)	(5.10)	(86.16)	1.00	20.00		
	Maximum		(32.96)	(24.67)	194.12	3.50	66.67		
	Average		(19.66)	(13.68)	(10.01)	2.24	37.33		
4-Nov-19	The Company (616)	4 for 1	(24.50)	(6.1)	(96.80)	1.50	80.00	Yes	Independent third party

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

As shown on the above table, the subscription prices of all of the Rights Issue Comparables are set at discounts to the respective closing prices per share on the last trading day ranging from approximately 10.19% to approximately 32.96% with an average discount of approximately 19.66%. The Subscription Price represents a discount of approximately 24.5% to the closing price per Share on the Last Trading Day (“**LTD Discount**”), which is within the range of discounts of the Rights Issue Comparables and slightly higher than the average discount of approximately 19.66% of the Rights Issue Comparables (“**LTD Average Discount**”).

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We also note that the discount to the theoretical ex-rights price per share represented by the Rights Issue Comparables ranged from approximately 5.10% to approximately 24.67%, with an average discount of approximately 13.68%. The Subscription Price represents a discount of approximately 6.1% to the theoretical ex-rights price per Consolidated Share, which falls within the range of the Rights Issue Comparables and represents a lower discount than the corresponding average represented by the Rights Issue Comparables.

Moreover, as shown on the above table, the premium/discount to the net asset value per share represented by the Rights Issue Comparables ranged from discount of approximately 78.95% to premium of approximately 194.12%, with an average premium of approximately 25.64%. The Subscription Price represents a discount of approximately 96.80% to the adjusted consolidated net asset value per Consolidated Share as at 30 September 2019, which was below the premium/discount as represented by the subscription prices of the Rights Issue Comparables to their respective latest net asset values per share. However, we consider the aforesaid discount of net asset value to the Subscription Price to be acceptable as the closing prices per EE Share for all the trading days during the Review Period were far below the net asset value per Consolidated Share of HK\$14.97.

We further note that the maximum dilution effect of approximately 80.0% in respect of the Rights Issue falls outside the range of the maximum dilution effect of the Rights Issue Comparables. Nevertheless, having taken into account the following factors:

- (i) the Independent EE Shareholders are given the chances to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the SGM;
- (ii) the Rights Issue is on the basis that all Qualifying Shareholders have been offered equal opportunity to maintain their proportional shareholding and participate in the capital base enlargement of the Company;
- (iii) Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market, subject to the then prevailing market conditions, should they wish so;
- (iv) the inherent dilutive nature is general for all cases of rights issues;
- (v) the maximum dilution effect only occurs when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares; and
- (vi) the positive financial effect as a result of the Rights Issue as detailed in the sections headed “2. Background of and reasons for the Rights Issue” above and “6. Possible financial effects of the Rights Issue” below,

We are of the opinion that the potential dilution effect on the shareholding for the Qualifying Shareholders who decide not to subscribe for their proportionate Rights Shares is justifiable.

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Based on the above analysis of historical closing prices of the EE Shares and the Rights Issue Comparables, we consider that the Subscription Price to be within the range of the Rights Issue Comparables. Accordingly, although the Subscription Price of HK\$0.483 per Consolidated Shares was below the closing price of the EE Shares (as adjusted by the Share Consolidation) during the Review Period and the LTD Discount is slightly higher than the LTD Average Discount, we concur with the EE Directors that, taking into account (i) the low trading liquidity of EE Shares for the twelve (12) months immediately preceding the Last Trading Day; (ii) the prevailing market price of EE Shares and the generally downward trend of the closing prices of the EE Shares during the Review Period, as well as the theoretical ex-rights price; (iii) the Rights Issue Comparables which the subscription prices of their rights issue were also issued at discounts to their prevailing market prices; and (iv) the EE Directors' consideration of the future business development of the EE Group, we are of the view that the Subscription Price is fair and reasonable and in the interest of the Company and the EE Shareholders as a whole.

### **5.2 Underwriting commission**

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting commission of 1.5% of the aggregate Subscription Price of the Rights Shares underwritten by them. According to the Rights Issue Comparables (details of which are set out in paragraph 5.1 above), the underwriting commission of the Rights Issue Comparables ranged from a minimum of 1.0% to a maximum of 3.5%, with an average of approximately 2.2%. As the underwriting commission of the Rights Issue of 1.5% is within the range and below the average of the Rights Issue Comparables, details of which are set out in the paragraph headed "Comparison with recent rights issue transactions" of section 5.1 of this letter, we are of the view that the underwriting commission of 1.5% under the Underwriting Agreement is fair and reasonable and in the interests of the Company and the EE Shareholders as a whole.

### **5.3 Potential dilution effect of the Rights Issue**

Under Scenario 1: no conversion rights attaching to any Convertible Notes being exercised, the table of Scenario 1 below sets out the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after the Share Consolidation but before the completion of the Rights Issue; (c) immediately after completion of the Rights Issue, assuming all Rights Shares are taken up by the Qualifying Shareholders; and (d) immediately after completion of the Rights Issue, assuming only Landmark Profits and Goodco take up their Rights Shares.

Under Scenario 2: full exercise of conversion rights attaching to the Madian Star Convertible Note but no exercise of conversion rights attaching to any Goodco Convertible Notes, the table of Scenario 2 below sets out the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after the Share Consolidation and Madian Star fully exercises the Madian Star Convertible Note but before the completion of the Rights Issue; (c) immediately after the completion of the Rights Issue and Madian Star fully exercises the Madian Star Convertible Note (all Rights Shares are subscribed by the Qualifying Shareholders); and (d) immediately after the completion of the Rights Issue and Madian Star fully exercises the Madian Star Convertible Note (only Landmark Profits and Goodco take up their Rights Shares).

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## Scenario 1: no conversion rights attached to any Convertible Notes exercised

	(a) as at the Latest Practicable Date		(b) immediately after the Share Consolidation but before the completion of the Rights Issue		(c) immediately after the completion of the Rights Issue (all Rights Shares are subscribed by the Qualifying Shareholders)		(d) immediately after the completion of the Rights Issue (only Landmark Profits and Goodco take up their Rights Shares)	
			<i>Number of Consolidated Shares</i>		<i>Number of Consolidated Shares</i>		<i>Number of Consolidated Shares</i>	
	<i>Number of EE Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>	<i>Shares</i>	<i>Approx. %</i>
<b>Non-public</b>								
Easyknit subsidiaries								
Landmark Profits	93,549,498	2.51	4,677,474	2.51	23,387,370	2.51	23,387,370	2.51
Goodco								
– Shares	645,781,194	17.33	32,289,059	17.33	161,445,295	17.33	161,445,295	17.33
– total underlying EE Share	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–
<b>Sub-total</b>	<b>739,330,692</b>	<b>19.84</b>	<b>36,966,533</b>	<b>19.84</b>	<b>184,832,665</b>	<b>19.84</b>	<b>184,832,665</b>	<b>19.84</b>
<b>Other substantial shareholder</b>								
HU Rong	829,230,000	22.26	41,461,500	22.26	207,307,500	22.26	41,461,500	4.45
<b>Public</b>								
Underwriter	–	–	–	–	–	–	69,700,276	7.49
Sub-underwriters (Note)								
– China Rise Securities Asset Management Company Limited	–	–	–	–	–	–	93,000,000	9.98
– John & Wong Securities Company Limited	–	–	–	–	–	–	93,000,000	9.98
– Success Securities Limited	–	–	–	–	–	–	93,000,000	9.98
– Win Wind Securities Limited	–	–	–	–	–	–	93,000,000	9.98
– CS Wealth Securities Limited	–	–	–	–	–	–	93,000,000	9.98
– Brilliant Norton Securities Company Limited	–	–	–	–	–	–	44,000,000	4.73
– Wo Fung Securities Company Limited	–	–	–	–	–	–	18,600,000	2.01
Other public EE Shareholders	1,837,271,367	49.31	91,863,569 <sup>^</sup>	49.31	459,317,845 <sup>^</sup>	49.31	91,863,569 <sup>^</sup>	9.86
Madian Star								
– EE Shares	320,000,000	8.59	16,000,000	8.59	80,000,000	8.59	16,000,000	1.72
– EE Shares underlying Madian Star Convertible Note	<u>673,333,333*</u>	–	<u>673,333,333*</u>	–	<u>673,333,333*</u>	–	<u>673,333,333*</u>	–
<b>Total</b>	<b><u>3,725,832,059</u></b>	<b><u>100.00</u></b>	<b><u>186,291,602<sup>^</sup></u></b>	<b><u>100.00</u></b>	<b><u>931,458,010<sup>^</sup></u></b>	<b><u>100.00</u></b>	<b><u>931,458,010<sup>^</sup></u></b>	<b><u>100.00</u></b>

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\* For illustration purposes only. The EE Shares underlying Convertible Notes figures have not been added into the total amount or percentage.

^ The figures include fractional Consolidated Shares.

*Note:* China Rise Securities Asset Management Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; John & Wong Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO; Success Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 4 (advising on securities); Win Wind Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; CS Wealth Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) regulated activities under the SFO; Brilliant Norton Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO; and Wo Fung Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) regulated activities under the SFO.

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### Scenario 2: full exercise of conversion rights attaching to Madian Star Convertible Note; no exercise of conversion rights attaching to any Goodco Convertible Notes

	(a) as at the Latest Practicable Date		(b) immediately after the Share Consolidation and Madian Star fully exercise the Madian Star Convertible Note but before the completion of the Rights Issue		(c) immediately after the completion of the Rights Issue and Madian Star fully exercise the Madian Star Convertible Note (all Rights Shares are subscribed by the Qualifying Shareholders)		(d) immediately after the completion of the Rights Issue and Madian Star fully exercise the Madian Star Convertible Note (only Landmark Profits and Goodco take up their Rights Shares)	
	Number of EE Shares		Number of Consolidated Shares		Number of Consolidated Shares		Number of Consolidated Shares	
		Approx. %		Approx. %		Approx. %		Approx. %
<b>Non-public</b>								
Easyknit subsidiaries								
Landmark Profits	93,549,498	2.51	4,677,474	2.13	23,387,370	1.58	23,387,370	1.58
Goodco								
– Shares	645,781,194	17.33	32,289,059	14.68	161,445,295	14.68	161,445,295	14.68
– total underlying Shares	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–	<u>1,560,727,272*</u>	–
<b>Sub-total</b>	<b>739,330,692</b>	<b>19.84</b>	<b>36,966,533</b>	<b>16.81</b>	<b>184,832,665</b>	<b>16.81</b>	<b>184,832,665</b>	<b>16.81</b>
<b>Other substantial shareholder</b>								
HU Rong	829,230,000	22.26	41,461,500	18.85	207,307,500	18.85	41,461,500	3.77
<b>Public</b>								
Underwriter	–	–	–	–	–	–	108,966,940	9.91
Sub-underwriters (Note)								
– China Rise Securities Asset Management Company Limited	–	–	–	–	–	–	109,800,000	9.98
– John & Wong Securities Company Limited	–	–	–	–	–	–	109,800,000	9.98
– Success Securities Limited	–	–	–	–	–	–	109,800,000	9.98
– Win Wind Securities Limited	–	–	–	–	–	–	109,800,000	9.98
– CS Wealth Securities Limited	–	–	–	–	–	–	109,800,000	9.98
– Brilliant Norton Securities Company Limited	–	–	–	–	–	–	52,000,000	4.74
– Wo Fung Securities Company Limited	–	–	–	–	–	–	22,000,000	2.01
Other public EE Shareholders	1,837,271,367	49.31	91,863,570 <sup>^</sup>	41.76	459,317,846 <sup>^</sup>	41.76	91,863,570 <sup>^</sup>	8.35
Madian Star								
– EE Shares	320,000,000	8.59	49,666,666	22.58	248,333,330	22.58	49,666,666	4.51
– EE Shares underlying Madian Star Convertible Note	<u>673,333,333*</u>	–	–	–	–	–	–	–
<b>Total</b>	<b><u>3,725,832,059</u></b>	<b><u>100.00</u></b>	<b><u>219,958,269<sup>^</sup></u></b>	<b><u>100.00</u></b>	<b><u>1,099,791,341<sup>^</sup></u></b>	<b><u>100.00</u></b>	<b><u>1,099,791,341<sup>^</sup></u></b>	<b><u>100.00</u></b>



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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\* For illustration purposes only. The EE Shares underlying Convertible Notes have not been added into the total amount or percentage.

^ The figures include fractional Consolidated Shares.

*Note:* China Rise Securities Asset Management Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; John & Wong Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO; Success Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 4 (advising on securities); Win Wind Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO; CS Wealth Securities Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) regulated activities under the SFO; Brilliant Norton Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO; and Wo Fung Securities Company Limited is a corporation licensed to carry out business in Type 1 (dealing in securities) regulated activities under the SFO.

The Qualifying Shareholders who take up their provisional allotments of the Rights Shares in full will not suffer any dilution, while the shareholding interests of those who decide not to take up any of their provisional allotments of the Rights Shares will be diluted to a maximum extent of approximately 80.00% (which is calculated by dividing the number of Rights Shares to be issued by the summation of the number of existing EE Shares in issue as at the Latest Practicable Date and the number of Rights Shares to be issued).

Notwithstanding the potential dilution to the Independent EE Shareholders' proportional shareholding interests in the Company as discussed above, having taken into account that:

- (i) the Independent EE Shareholders can attend and vote for or against the relevant resolution(s) in relation to the Rights Issue and the Underwriting Agreement at the SGM;
- (ii) the Qualifying Shareholders can elect to accept the Rights Issue or not;
- (iii) the Qualifying Shareholders will have the opportunities to sell their nil-paid rights to subscribe for the Rights Shares in the market, for economic benefit;
- (iv) the Rights Issue will offer the Qualifying Shareholders an opportunity to subscribe for their Rights Shares to maintain their respective pro-rata shareholding interests in the Company at a deep discount as compared to the net asset value and historical and prevailing market price of the EE Shares; and
- (v) those Qualifying Shareholders who take up their assured allotments in full under the Rights Issue will maintain their respective pro-rata shareholding interests in the Company after completion of the Rights Issue.

We are of the view that notwithstanding the cumulative dilution effect on the existing shareholding interests of the Independent EE Shareholders, which will only result when the Qualifying Shareholders do not subscribe for their pro-rata allotments of the Rights Shares, the Rights Issue can satisfy the imminent funding need of development cost which is in the interest of the EE Shareholders and the Company as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **5.4 Application for excess Rights Shares**

With reference to the Letter from the Board, the Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

The EE Directors will allocate any excess Rights Shares (if any) at their discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots. The Board will allocate the excess Rights Shares to the Qualifying Shareholders who have applied for excess application at its discretion, but on a pro-rata basis in proportion to the number of excess Rights Shares being applied for under each application. In determining the number of excess Rights Shares to be allocated to a Qualifying Shareholder, no reference will be made to the number of Rights Shares subscribed by that Qualifying Shareholder through applications by PAL or the existing number of Shares held by such Qualifying Shareholder. Details of the basis of allocation of excess Rights Shares will be disclosed in the Prospectus.

Based on our review of the basis of allocation, we are not aware of any unusual arrangement as compared to the Rights Issue Comparables. We therefore consider that such allocation basis is consistent with normal market practice.

## **6. Possible financial effects of the Rights Issue**

### ***Cash resources***

Upon completion of the Rights Issue, it is expected that the Company would raise net proceeds of approximately HK\$353.9 million, of which approximately HK\$300.8 million are intended to be used for the Kennedy Town Project and the remaining balance of approximately HK\$53.1 million for general working capital of the EE Group, and its unaudited bank balances and cash including bank deposits would increase by approximately HK\$353.9 million to approximately HK\$12.7 million based on the unaudited bank balance and cash of approximately HK\$158.8 million as at 30 September 2019. The amount of net proceeds earmarked is fair and reasonable as discussed in paragraph “5.2 Reasons for the Rights Issue and the use of proceeds” above in this letter.

### ***Gearing ratio***

According to the IR Report, the total borrowings and total equity of the Company as at 30 September 2019 were approximately HK\$922.4 million and approximately HK\$2,788.8 million, respectively. Accordingly, the gearing ratio (being the ratio of total bank borrowings to shareholders' equity) of the Company was 33.1%. According to the unaudited pro forma financial information of the EE Group as set out in Appendix III to the Circular, the audited consolidated net tangible assets of the EE Group attributable to the owners of the Company as at 31 March 2019 was approximately HK\$2,734.2 million. The unaudited pro forma adjusted consolidated net tangible assets of the EE Group attributable to owners of the Company immediately after the completion of the Rights Issue would be ranging from approximately HK\$3,088.4 million to approximately HK\$3,152.4 million as a result of the inflow of net proceeds from the estimated net proceeds from the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the foregoing, we consider that the Rights Issue can provide additional liquidity and enhance the overall financial position of the Company.

### RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, we are of the opinion that the Rights Issue is fair and reasonable so far as the Independent EE Shareholders are concerned and is in the interests of the Company and the EE Shareholders as a whole. Accordingly, we recommend the Independent EE Shareholders, as well as the Independent EE Board Committee to advise the Independent EE Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Rights Issue and transactions contemplated thereunder.

Yours faithfully  
For and on behalf of  
**Red Sun Capital Limited**

**Robert Siu**                      **Angel Ip**  
*Managing Director*              *Director*

*Note:* Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 21 years of experience in corporate finance industry.

Ms. Angel Ip is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 8 years of experience in corporate finance industry.

**1. DIRECTORS****Particulars of Directors**

<b>Name</b>	<b>Address</b>
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**Executive Directors**

Kwong Jimmy Cheung Tim	Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong
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Lui Yuk Chu	Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong
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**Independent Non-executive Directors**

Kan Ka Hon	Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong
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Lau Sin Ming	Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong
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Wu Koon Yin Welly	Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong
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**Executive Directors*****Mr. Kwong Jimmy Cheung Tim (Chairman and Chief Executive Officer)***

Mr. Kwong Jimmy Cheung Tim, aged 76, is an executive director, chairman, chief executive officer and authorised representative of the Company and chairman of the executive committee of the Company. Mr. Kwong graduated from The University of Hong Kong in 1965 and was admitted as Barrister-at-Law in the United Kingdom in 1970 and in Hong Kong in 1973 respectively. He has over 30 years of experience in the legal field. He serves as director of various subsidiaries of the Company. Mr. Kwong was appointed to the EE Board as an independent non-executive director in 2003, and was subsequently re-designated as an executive director in 2007. In 2007, Mr. Kwong was appointed as chairman and chief executive officer of the Company.

***Ms. Lui Yuk Chu (Deputy Chairman)***

Ms. Lui Yuk Chu, aged 62, is an executive director and deputy chairman of the Company and a member of the executive committee of the Company. She is also an executive director and vice president, and a member of the executive committee of Easyknit. Ms. Lui has been involved in the textiles industry for over 30 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. She serves as director of various subsidiaries of the Company and Easyknit. Ms. Lui was appointed to the EE Board as an executive director in 2003 and was appointed as deputy chairman in 2006.

**Independent Non-executive Directors*****Mr. Kan Ka Hon***

Mr. Kan Ka Hon, aged 68, has been an independent non-executive director of the Company since 2003. He is also a member and chairman of the audit committee, a member of the remuneration committee and nomination committee of the Company. He holds a Bachelor's Degree in Science from The University of Hong Kong and is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in accounting and finance. Mr. Kan is also an independent non-executive director of Victory City International Holdings Limited (Stock Code: 0539).

***Mr. Lau Sin Ming***

Mr. Lau Sin Ming, aged 58, has been an independent non-executive director of the Company since 2004. He is also a member and chairman of the remuneration committee of the Company, a member of the audit committee and nomination committee of the Company. He is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in accounting and auditing.

***Mr. Wu Koon Yin Welly***

Mr. Wu Koon Yin Welly, aged 34, was appointed as an independent non-executive director of the Company on 1 January 2017. He is also a member and chairman of the nomination committee of the Company and a member of the audit committee and remuneration committee of the Company. Mr. Wu holds a Master in Finance degree from the University of Essex, England, and a Bachelor of Commerce degree from the University of Sydney, Australia. Mr. Wu is the Vice President of Sales in FXCM, a provider of online foreign exchange (FX) trading, CFD trading, spread betting and related services. Mr. Wu has over 11 years of experience in the brokerage industry.

## 2. CORPORATE INFORMATION

<b>Registered office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Principal place of business</b>	Block A, 7th Floor Hong Kong Spinners Building, Phase 6 481–483 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
<b>Company secretary</b>	Lee Po Wing ( <i>LL.B.</i> )
<b>Authorised representatives</b>	Kwong Jimmy Cheung Tim Lui Yuk Chu
<b>Legal advisers to the Company</b>	<i>As to Hong Kong law:</i> David Norman & Co. 22B Man On Commercial Building 12–13 Jubilee Street Central Hong Kong  <i>As to Bermuda law:</i> Conyers Dill & Pearman 29th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
<b>Auditor</b>	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35th Floor, One Pacific Place 88 Queensway Hong Kong
<b>Branch share registrar and transfer office in Hong Kong</b>	Tricor Secretaries Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

<b>Principal share registrar and transfer office in Bermuda</b>	MUFG Fund Services (Bermuda) Limited 4th Floor North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
<b>Principal banker</b>	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

### 3. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Share Consolidation and Rights Issue were and will be as follows:

**(i) As at the Latest Practicable Date**

<i>Authorised:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	EE Shares	<u>200,000,000.00</u>

<i>Issued and fully-paid:</i>		<i>HK\$</i>
<u>3,725,832,059</u>	EE Shares	<u>37,258,320.59</u>

**(ii) Immediately following the completion of the Share Consolidation and Rights Issue (assuming no issue of new EE Shares and no repurchase of EE Shares up to completion of the Rights Issue, save for the Rights Shares)**

<i>Authorised:</i>		<i>HK\$</i>
<u>1,000,000,000</u>	Consolidated Shares	<u>200,000,000.00</u>

<i>Issued and fully-paid:</i>		<i>HK\$</i>
186,291,602	Consolidated Shares in issue immediately before completion of the Rights Issue	37,258,320.40
745,166,408	Rights Shares to be allotted and issued upon completion of the Rights Issue	149,033,281.60
<u>931,458,010</u>	Consolidated Shares in issue immediately after completion of the Rights Issue	<u>186,291,602.00</u>

- (iii) **Immediately following completion of the Share Consolidation and Rights Issue (assuming no repurchase of EE Shares up to completion of the Rights Issue and full exercise of the Madian Star Convertible Note before the Record Date and no issue of new EE Shares, save for the Rights Shares)**

*Authorised:* *HK\$*

<u>1,000,000,000</u>	Consolidated Shares	<u>200,000,000.00</u>
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*Issued and fully-paid:* *HK\$*

219,958,269	Consolidated Shares in issue immediately before completion of the Rights Issue	43,991,653.80
879,833,072	Rights Shares to be allotted and issued in the Rights Issue	175,966,614.40
<hr/>		<hr/>
<u>1,099,791,341</u>	Consolidated Shares in issue immediately after completion of the Rights Issue	<u>219,958,268.20</u>

All of the EE Shares or Consolidated Shares and the Rights Shares in issue and to be issued (when fully paid) rank and will rank *pari passu* with each other in all respects, including, in particular, as to dividends, voting rights and return of capital. The EE Shares, Consolidated Shares and Rights Shares are or will be listed on the main board of the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the EE Shares, Consolidated Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save for the outstanding Convertible Notes, entitling the holders thereof to subscribe for an aggregate of 2,234,060,605 EE Shares (before the Share Consolidation having become effective), as at the Latest Practicable Date, the Company did not have any derivatives, options, warrants and conversion rights or other similar rights that are convertible or exchangeable into any EE Shares or Consolidated Shares.



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## APPENDIX II FINANCIAL INFORMATION OF THE EE GROUP

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### 1. FINANCIAL SUMMARY OF THE GROUP

Below are the details of the last three published annual reports and its most recent IR Report showing the financial information of the EE Group:

<b>For the six months ended</b>	<b>Publication date of IR Report</b>	<b>Pages</b>
30 September 2019	12 December 2019	43–140
<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1212/2019121200506.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1212/2019121200506.pdf</a>		
<b>For the year ended</b>	<b>Publication date of annual report</b>	<b>Pages</b>
31 March 2019	20 June 2019	67–189
<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0620/ltn20190620297.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0620/ltn20190620297.pdf</a>		
31 March 2018	22 June 2018	51–149
<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0622/ltn20180622291.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0622/ltn20180622291.pdf</a>		
31 March 2017	15 June 2017	74–193
<a href="https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0615/ltn20170615234.pdf">https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0615/ltn20170615234.pdf</a>		

The management discussion and analysis of the Company for the three years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019 are disclosed in the published annual reports of the Company and the IR Report respectively for the relevant periods.

### 2. WORKING CAPITAL

The EE Directors are of the opinion that, after taking into account the present available financial resources and the estimated net proceeds from Rights Issue, the EE Group has sufficient working capital available for its requirements for at least the next twelve (12) months from the date of the Circular.

### 3. INDEBTEDNESS

#### (a) Borrowings

As at the close of business on 30 November 2019, being the latest practicable date for the purpose of determining the indebtedness of the EE Group prior to the printing of the Circular, the EE Group had outstanding bank borrowings of approximately HK\$1,436,886,000, which were secured by the EE Group's properties with an aggregate net book value of approximately HK\$984,774,000 (investment properties) and approximately HK\$2,455,422,000 (properties held for development for sale) respectively and all bank borrowings were guaranteed by the Company.

**(b) Convertible Notes**

Below are all the Convertible Notes of the EE Group as at the Latest Practicable Date, all of which are unguaranteed and unsecured.

***2015CB***

The Company on 26 May 2015 entered into a subscription agreement in relation to the issue of a 3% per annum coupon rate convertible note to Madian Star in the principal amount of HK\$86,000,000, conferring rights to convert at any time before 12 June 2022 the principal amount into EE Shares at the conversion price of HK\$0.06 per EE Share. The outstanding amount of that convertible note as at the Latest Practicable Date was HK\$40,400,000.

***2017CB1***

The Company on 1 March 2017 entered into a subscription agreement in relation to the issue of a 3% per annum coupon rate convertible note to Goodco in the principal amount of HK\$16,000,000, conferring rights to convert at any time before 11 May 2022 the principal amount into EE Shares at the conversion price of HK\$0.16 per EE Share. The outstanding amount of that convertible note as at the Latest Practicable Date was HK\$16,000,000.

***2017CB2***

The Company on 7 August 2017 entered into a subscription agreement in relation to the issue of a 3% per annum coupon rate convertible note to Goodco in the principal amount of HK\$28,200,000, conferring rights to convert at any time before 26 September 2020 the principal amount into EE Shares at the conversion price of HK\$0.06 per EE Share. The outstanding amount of that convertible note as at the Latest Practicable Date was HK\$11,280,000.

***2019CB***

The Company on 17 June 2019 entered into a subscription agreement in relation to the issue of a 3% per annum coupon rate convertible note to Goodco in the principal amount of HK\$70,000,000, conferring rights to convert at any time before 28 August 2024 the principal amount into EE Shares at the conversion price of HK\$0.055 per EE Share.

Apart from as disclosed above and intra-group liabilities, the EE Group did not have any debt securities authorised or created by unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guaranteed, unguaranteed, secured and unsecured borrowing and debt, or other material contingent liabilities as at the close of business on 30 November 2019.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the EE Directors were not aware of any material adverse change in the financial or trading position of the EE Group since 31 March 2019, being the date to which the latest published audited consolidated financial statements of the EE Group were made up.

**5. FINANCIAL AND TRADING PROSPECTS OF THE EE GROUP**

As mentioned in the annual report of the Company for the year ended 31 March 2019, the EE Group will continue focusing its efforts in the development of its existing principal businesses: property development, property investment, securities investment, loan financing business and other potential projects with a view to providing steady returns for the EE Shareholders and bring increased growth to the EE Group.

Given the softening global economic growth, trade war between US and China and technology disputes, Hong Kong's equity and financial environment will continue to be affected. Although the trade war is not expected to be resolved in the near future, the EE Group is prudently optimistic about the prospects of the property and securities market in Hong Kong and believes these markets will continue to grow over the longer term.

In line with its investment strategy and policy, the Company will continue to identify appropriate investment and divestment opportunities that fit the objective and investment criteria of the Company, and will continue to seek opportunities to replenish its property portfolio as an ongoing business exercise. The Board would exercise utmost caution, so as to bring positive impact on the operating and financial results to the Company in the foreseeable future.

**APPENDIX III                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE EE GROUP UPON COMPLETION OF THE RIGHTS ISSUE**

**A.      STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31 March 2019.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Rights Issue.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 March 2019, adjusted as described below:

	<b>Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 (Note 3) HK\$'000</b>	<b>Estimated net proceeds from the Rights Issue (Notes 4 and 5) HK\$'000</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 March 2019 HK\$'000</b>	<b>Audited consolidated net tangible assets per Consolidated Share before completion of the Rights Issue (Note 6)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights Issue (Notes 7 and 8)</b>
Based on 745,166,408 Rights Shares to be issued (Note 1)	<u>2,734,170</u>	<u>354,215</u>	<u>3,088,385</u>	<u>HK\$14.677</u>	<u>HK\$3.316</u>
Based on 879,833,072 Rights Shares to be issued (Note 2)	<u>2,734,170</u>	<u>418,259</u>	<u>3,152,429</u>	<u>HK\$14.677</u>	<u>HK\$2.866</u>

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## APPENDIX III                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE EE GROUP UPON COMPLETION OF THE RIGHTS ISSUE

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*Notes:*

1. Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date, the number of Consolidated Shares in issue is 186,291,602 Consolidated Shares and the number of Rights Shares to be issued is 745,166,408 Rights Shares (“**Scenario 1**”).
2. Assuming full exercise of conversion rights attaching to the Madian Star Convertible Note but no exercise of conversion rights attaching to any Goodco Convertible Notes and no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to the Record Date, the number of Consolidated Shares in issue is 219,958,269 Consolidated Shares and the number of Rights Shares to be issued is 879,833,072 Rights Shares (“**Scenario 2**”).
3. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2019 are based on the consolidated net assets in the audited consolidated statement of financial position of the Group as at 31 March 2019.
4. Under Scenario 1, the estimated net proceeds from the Rights Issue are based on 745,166,408 Right Shares to be issued at the Subscription Price of HK\$0.483 per Rights Share on the basis of four Rights Shares for every one Consolidated Share of the Company, after deduction of the estimated underwriting commission and other share issue related expenses payable by the Company of approximately HK\$5,700,000.
5. Under Scenario 2, the estimated net proceeds from the Rights Issue are based on 879,833,072 Right Shares to be issued at the Subscription Price of HK\$0.483 per Rights Share on the basis of four Rights Shares for every one Consolidated Share of the Company, after deduction of the estimated underwriting commission and other share issue related expenses payable by the Company of approximately HK\$6,700,000.
6. The number of Consolidated Shares used for the calculation of this amount is 186,291,602, representing the number of Consolidated Shares in issue as at Latest Practicable Date.
7. Under Scenario 1, the number of Shares used for the calculation of this amount is 931,458,010, representing 186,291,602 Consolidated Shares and 745,166,408 Rights Shares.
8. Under Scenario 2, the number of Shares used for the calculation of this amount is 1,099,791,341, representing 219,958,269 Consolidated Shares and 879,833,072 Rights Shares.
9. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2019.

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## APPENDIX III                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE EE GROUP UPON COMPLETION OF THE RIGHTS ISSUE

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### B.      ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.*



17 December 2019

The Board of Directors  
Eminence Enterprise Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Eminence Enterprise Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 31 March 2019 as set out on pages III-1 to III-2 of the circular issued by the Company (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix III of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group’s net tangible assets as at 31 March 2019 as if the transaction had been taken place at 31 March 2019. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s consolidated financial statements as included in the annual report for the year ended 31 March 2019, on which an audit report has been published.

#### **Directors’ Responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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## APPENDIX III                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE EE GROUP UPON COMPLETION OF THE RIGHTS ISSUE

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The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountant’s Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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**APPENDIX III                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE EE GROUP UPON COMPLETION OF THE RIGHTS ISSUE**

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The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the Rights Issue, the application of those net proceeds, or whether such use will actually take place as described under “Reasons for the Rights Issue and the use of proceeds” set out on pages 33 to 35 of the Circular.

**Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

**ZHONGHUI ANDA CPA Limited**  
Certified Public Accountants  
**Pang Hon Chung**  
Practising Certificate Number P05988  
Hong Kong



## 1. RESPONSIBILITY STATEMENT

The Circular, for which the EE Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The EE Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors and Chief Executive of the Company

As at the Latest Practicable Date, the interests and short positions of the EE Directors and chief executive of the Company or their respective associates in the EE Shares, underlying EE Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”) were as follows:

#### *Long positions in ordinary EE Shares and underlying EE Shares of the Company*

Name of EE Director	Capacity	Number of ordinary EE Shares held	Number of underlying EE Shares held	Total	Approximate percentage of the total issued EE Shares
Lui Yuk Chu	Interest of controlled corporation ( <i>Note</i> )	739,330,692	1,560,727,272	2,300,057,964	61.73%

*Note:* In the 739,330,692 EE Shares, 93,549,498 EE Shares and 645,781,194 EE Shares are registered in the name of and beneficially owned by Landmark Profits and Goodco respectively, both of which are wholly-owned subsidiaries of Easyknit. Sea Rejoice Limited is interested in approximately 19.09% of the total number of issued shares of Easyknit and it is wholly-owned by Ms. Lui Yuk Chu, an EE Director. As for the 1,560,727,272 underlying EE Shares, they comprise of (i) 100,000,000 EE Shares (subject to adjustment) to be issued upon the full conversion of a Convertible Note held by Goodco and convertible into EE Shares; (ii) 188,000,000 EE Shares (subject to adjustment) to be issued upon the full conversion of another Convertible Note held by Goodco and convertible into EE Shares; and (iii) 1,272,727,272 EE Shares (subject to adjustment) to be issued upon the full conversion of a third Convertible Note held by Goodco and convertible into EE Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the EE Directors or chief executive of the Company had any interests or short positions in the EE Shares, underlying EE Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Substantial Shareholders' interest in EE Shares and underlying EE Shares**

As at the Latest Practicable Date, so far as is known to the EE Directors and the chief executive of the Company, the interests and short positions of the persons or corporations other than a EE Director or chief executive of the Company, in the EE Shares or underlying EE Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	Notes	Capacity	Number of EE Shares held	Number of underlying EE Shares held	Total	Approximate percentage of the total issued EE Shares
Koon Wing Yee	<i>i</i>	Interest of spouse	739,330,692	1,560,727,272	2,300,057,964	61.73%
Goodco	<i>i &amp; iv</i>	Beneficial owner	645,781,194	1,560,727,272	2,206,508,466	59.22%
Easyknit	<i>i &amp; iv</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	61.73%
Magical Profits Limited	<i>i &amp; iv</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	61.73%
Accumulate More Profits Limited	<i>i</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	61.73%
The Winterbotham Trust Company Limited	<i>i &amp; ii</i>	Trustee	739,330,692	1,560,727,272	2,300,057,964	61.73%
Winterbotham Holdings Limited	<i>i &amp; ii</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	61.73%
Markson International Holding Limited	<i>i &amp; ii</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	61.73%
Christopher Geoffrey Douglas Hooper	<i>i &amp; ii</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	61.73%
Ivan Geoffrey Douglas Hooper	<i>i &amp; ii</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	61.73%
Sea Rejoice Limited	<i>i &amp; iv</i>	Interest of controlled corporation	739,330,692	1,560,727,272	2,300,057,964	61.73%
Madian Star	<i>iii</i>	Beneficial owner	320,000,000	673,333,333	993,333,333	26.66%
Hu Rong		Beneficial owner	829,230,000	–	829,230,000	22.26%

*Notes:*

- i. Of the 739,330,692 EE Shares, 93,549,498 EE Shares and 645,781,194 EE Shares are registered in the name of and beneficially owned by Landmark Profits and Goodco respectively, both of which are wholly-owned subsidiaries of Easyknit. Sea Rejoice Limited, which is wholly-owned by Ms. Lui Yuk Chu, an EE Director, is interested in approximately 19.09% of the issued share capital of Easyknit. Magical Profits Limited is interested in approximately 31.95% of the issued share capital of Easyknit. Magical Profits Limited is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by The Winterbotham Trust Company Limited as the trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu's family members other than herself and her spouse). The 1,560,727,272 underlying EE Shares comprise of (i) 100,000,000 EE Shares (subject to adjustment) to be issued upon the full conversion of a Convertible Note held by Goodco and convertible into EE Shares; (ii) 188,000,000 EE Shares (subject to adjustment) to be issued upon the full conversion of another Convertible Note held by Goodco and convertible into EE Shares; and (iii) 1,272,727,272 EE Shares (subject to adjustment) to be issued upon the full conversion of another Convertible Note held by Goodco and convertible into EE Shares. Ms. Lui Yuk Chu is the spouse of Mr. Koon Wing Yee. By virtue of the SFO, Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 739,330,692 EE Shares and the 1,560,727,272 underlying EE Shares in which Ms. Lui Yuk Chu is interested.
- ii. The Winterbotham Trust Company Limited is trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu's family members (who are not immediate family members as defined under the Listing Rules) other than herself and her spouse). The Winterbotham Trust Company Limited is owned as to 75% by Winterbotham Holdings Limited ("**Winterbotham Holdings**") and 25% by Markson International Holding Limited ("**Markson**") respectively. Winterbotham Holdings is owned as to approximately 99.99% by Mr. Christopher Geoffrey Douglas Hooper. Approximately 99.99% of Markson is owned by Mr. Ivan Geoffrey Douglas Hooper.
- iii. The 673,333,333 underlying EE Shares are the convertible EE Shares to be issued (subject to adjustment) upon the full conversion of the Madian Star Convertible Note.
- iv. Ms. Lui Yuk Chu, an EE Director, is also a director of Goodco, Easyknit, Magical Profits Limited and Sea Rejoice Limited.

Save as disclosed above, as at the Latest Practicable Date, the EE Directors and chief executive of the Company were not aware of any other persons who had an interest or short position in the EE Shares or underlying EE Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

Apart from Ms. Lui Yuk Chu, no EE Director is also a director or employee of the substantial shareholders of the Company.

### **3. EE DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the EE Directors had any existing and proposed service contract with any members of the EE Group other than contracts expiring or determinable by the relevant member of the EE Group within one year without payment of compensation (other than statutory compensation).

### **4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, none of the EE Directors had any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the EE Group since 31 March 2019, being the date to which the latest published audited accounts of the Company were made up.

As at the Latest Practicable Date, none of the EE Directors was materially interested in any contract or arrangement subsisting at the date of the Circular which is significant in relation to the business of the EE Group.

#### 5. EE DIRECTORS' INTEREST IN COMPETING BUSINESS

Name of director	Name of company	Nature of competing business	Nature of interest
Lui Yuk Chu	Easyknit	Property investment, property development, security investment and loan financing	Director of Easyknit and substantial shareholder of Easyknit

Save as disclosed in the Circular, at the Latest Practicable Date, none of the EE Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the EE Group as required to be disclosed pursuant to the Listing Rules.

#### 6. LITIGATION

As at the Latest Practicable Date, none of the members of the EE Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the EE Directors to be pending or threatened against any member of the EE Group.

#### 7. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the EE Group within the two years immediately preceding the date of the Circular:

- (a) the provisional sale and purchase agreement dated 11 January 2018 entered into between Lion Capital Investment Limited, a wholly-owned subsidiary of the Company, as purchaser, and Brilliant Circle Holdings International Limited, as vendor, in respect of the acquisition of Empire Sail Limited of which the major assets were office units 01, 02, 03, 05, 06, 07, 08 and 09 on the 12th Floor and carparking spaces numbers 329, 330 and 331 on the 3rd Floor at Capital Centre, No. 151 Gloucester Road, Hong Kong and Best Legend International Holdings Limited by a consideration of HK\$295 million. Such transaction was approved by the EE Shareholders on 11 April 2018;
- (b) a conditional sale and purchase agreement dated 19 November 2018 entered into between Kingbest Capital Holdings Limited (a wholly-owned subsidiary of the Company), as seller, and Gold Anchor Developments Limited (a wholly-owned subsidiary of Easyknit), as purchaser, in relation to a company that owns the property known as Nos. 14–20 Inverness Road, Kowloon, Hong Kong registered in the Land Registry as New Kowloon Inland Lot No. 6573 for a consideration of HK\$1,035,000,000;

- (c) a conditional sale and purchase agreement dated 19 November 2018 entered into between Easyknit Properties Holdings Limited (a wholly-owned subsidiary of Easyknit), as seller, and Sonic Hover Limited (a wholly-owned subsidiary of the Company), as buyer, in relation to a company (the “**Easyknit Sale Company**”) that owns the property known as Easy Tower, No. 609 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong registered in the Land Registry as New Kowloon Inland Lot No. 6238 by a consideration of HK\$470,000,000;
- (d) a property management agreement dated 8 March 2019 entered into between UrbanMode (HK) Limited, a wholly-owned subsidiary of Easyknit, as manager, and the Easyknit Sale Company, as registered owner, for the management of Easy Tower by UrbanMode (HK) Limited;
- (e) a subscription agreement dated 26 March 2019 entered into by between a wholly-owned subsidiary of the Company and Templewater I, G.P in relation to the subscription of the limited partnership interests in a limited partnership with a capital commitment of US\$5 million;
- (f) a third deed of amendment (“**Third Deed**”) dated 26 March 2019 entered into between the Company and Madian Star in relation to the alteration of the subscription price under a convertible note held by Madian Star and convertible into EE Shares;
- (g) a fourth deed of amendment dated 8 April 2019 entered into between the Company and Madian Star in relation to the termination and replacement of the Third Deed, alteration of the subscription price under a convertible note held by Madian Star and convertible into EE Shares and imposition of restrictions on conversions that would lead to an offer being required under Rule 26 of the Takeovers Code and/or the Company breaching the public float requirement under the Listing Rules;
- (h) a sale and purchase agreement dated 24 May 2019 entered into between Lion Capital Investment Limited (a wholly-owned subsidiary of the Company) as seller and Create Success Investments Limited as purchaser in relation to the sale and purchase of the shares of certain wholly-owned subsidiaries of the Company, which own office units 01, 02, 03, 05, 06, 07, 08 and 09 on the 12th Floor and carparking spaces numbers 329, 330 and 331 on the 3rd Floor of Capital Centre, No. 151 Gloucester Road, Hong Kong, and a related loan;
- (i) the subscription agreement dated 17 June 2019 between the Company and Goodco relating to the issue by the Company and subscription by Goodco of a Goodco Convertible Note;
- (j) a sale and purchase agreement dated 9 July 2019 entered into between Above Ace Limited, a wholly-owned subsidiary of the Company, as buyer and Ng Kwai Tung, as seller, in relation to the sale and purchase of Real Supreme Limited and Extra Glory Limited and their respective shareholders’ loans; and
- (k) the Underwriting Agreement.

**8. EXPERTS AND CONSENTS**

The following is the qualification of the experts or professional advisers who have been named in the Circular or have given their opinions or advice contained in the Circular:

<b>Name</b>	<b>Qualification</b>
ZHONGHUI ANDA CPA Limited	Certified Public Accountants
Red Sun Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above experts did not have:

- (a) any direct or indirect interest in any assets which have been, since 31 March 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the EE Group, or are proposed to be acquired or disposed of by or leased to any member of the EE Group; and
- (b) any shareholding in any member of the EE Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the EE Group.

The above experts have given and have not withdrawn their respective written consents to the issue of the Circular with the inclusion of their letters and the references to their names in the form and context in which they appear.

**9. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, Independent Financial Adviser fees, underwriting commission, printing, registration, translation and legal and accountancy charges are estimated to be approximately HK\$6.0 million, and are payable by the Company.

**10. GENERAL**

- (a) The company secretary of the Company is Mr. Lee Po Wing, a practising solicitor since 1994;
- (b) the registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong;
- (c) the Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong; and
- (d) the English texts of the Circular and the enclosed proxy form prevail over the Chinese texts.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong from the date of the Circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2017, 2018 and 2019 and the IR Report;
- (c) the written consents referred to in the paragraph headed "Experts and Consents" to this Appendix;
- (d) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;
- (e) the unaudited pro forma financial information of the EE Group as set out in Appendix III to the Circular;
- (f) the letter of advice from the Independent Financial Adviser to the Independent EE Board Committee and the Independent EE Shareholders, the text of which is set out on pages 41 to 65 of the Circular;
- (g) the letter from ZHONGHUI ANDA CPA Limited, the reporting accountant, in respect of the unaudited pro forma statement of the adjusted consolidated net tangible assets of the EE Group, the text of which is set out in Appendix III to the Circular; and
- (h) the Circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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### EMINENCE ENTERPRISE LIMITED

### 高山企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 616)

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of Eminence Enterprise Limited (the “**Company**”) will be held at Block A, 7th Floor, Hong Kong Spinners Building, Phase 6, 481–483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, on Monday, 6 January 2020, at 9:00 a.m., for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed with or without amendments, as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the granting by The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the issued shares of the Company (the “**Shares**”) consolidated in the manner as set out in paragraph (a) of this resolution below:
  - (a) with effect from Wednesday, 8 January 2020, every twenty (20) existing Shares in the issued share capital of the Company be consolidated into one (1) consolidated share (a “**Consolidated Share**”) (the “**Share Consolidation**”);
  - (b) all of the Consolidated Shares resulting from the Share Consolidation shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the bye-laws of the Company;
  - (c) all fractional Consolidated Shares shall be disregarded and not be issued to the shareholders of the Company and any fractions of Consolidated Shares be aggregated and, if possible, sold by an agent appointed by the Company for that purpose and the net proceeds retained for the benefit of the Company; and
  - (d) the directors of the Company be and are hereby authorised to approve, sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in their opinion may be necessary, desirable or expedient to implement and carry into effect this resolution”.



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## NOTICE OF SPECIAL GENERAL MEETING

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2. **“THAT**

- (a) subject to and conditional upon the passing of the resolution numbered 1 in the notice of the Meeting of the Company dated 17 December 2019 and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and transactions contemplated thereunder be and are hereby approved;
- (b) the underwriting agreement in respect of the Rights Issue (as defined below) dated 4 November 2019 and made between the Company and Get Nice Securities Limited (the **“Underwriting Agreement”**) (a copy of which has been produced to the Meeting of the Company marked “A” and signed by the chairman of the Meeting of the Company for the purpose of identification) and transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) subject to the fulfillment of the conditions set out in the Underwriting Agreement, the allotment and issue of not less than 745,166,408 shares and not more than 879,833,072 shares in the share capital of the Company (the **“Rights Shares”**) by way of rights to the shareholders of the Company (the **“Shareholders”**) at the subscription price of HK\$0.483 per Rights Share on the basis of four (4) Rights Shares for every one (1) Consolidated Share held by the Shareholders whose names appear on the register of members of the Company on Wednesday, 15 January 2020 (the **“Record Date”**) as described in further details in a circular issued by the Company dated 17 December 2019 and on and subject to such other terms and conditions as may be determined by the directors of the Company (the **“Directors”**) (the **“Rights Issue”**) be and is hereby approved, confirmed and ratified;
- (d) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular but without prejudice to the generality of the foregoing, the Directors may make such exclusions or other arrangements in relation to any Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and

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## NOTICE OF SPECIAL GENERAL MEETING

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- (e) the Directors be and are hereby authorised to approve, sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in their opinion may be necessary, desirable or expedient to implement and carry into effect this resolution”.

By Order of the Board  
**EMINENCE ENTERPRISE LIMITED**  
**Kwong Jimmy Cheung Tim**  
*Chairman and Chief Executive Officer*

Hong Kong, 17 December 2019

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM  
11 Bermuda

*Head office and principal place of business in Hong Kong:*

Block A, 7th Floor  
Hong Kong Spinners Building, Phase 6  
481–483 Castle Peak Road  
Cheung Sha Wan  
Kowloon  
Hong Kong

*Notes:*

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding of the Meeting.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

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## NOTICE OF SPECIAL GENERAL MEETING

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7. For the purpose of determining eligibility to attend and vote at the Meeting of the Company, the register of members will be closed from Tuesday, 31 December 2019 to Monday, 6 January 2020, both dates inclusive, during which period, no transfers of shares in the Company will be registered. In order for the holders to qualify to attend and vote at the Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 30 December 2019.
8. All votes at the Meeting of the Company shall be taken by poll.
9. As at the date hereof, the Board comprises Mr. Kwong Jimmy Cheung Tim and Ms. Lui Yuk Chu as executive Directors, and Mr. Kan Ka Hon, Mr. Lau Sin Ming and Mr. Wu Koon Yin Welly as independent non-executive Directors.